Poverty in the US
Do conservatives have the answer?
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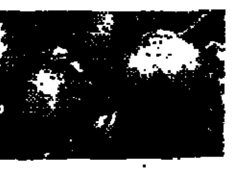

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Tomorrow's Weekend FT
Foreigners keep out! This is western Europe

FINANCIAL TIMES

Friday May 8 1992 | EUROPE'S BUSINESS NEWSPAPER | D 8523A

Bonn yields to union pay demands

By Christopher Parkes in Bonn

GERMANY'S 3m public sector workers were sent back to work last night after the government gave in to union pay demands and political and public pressure for an end to the most disruptive strike in 18 years.

In spite of the initial relief, however, the offer included concessions expected to undermine private sector companies' attempts to rein in wage costs and damage the government's own anti-inflation drive.

The deal, which seemed set to end the longest and hardest public sector strike *since the second world war, will further hurt the* coalition government, which has been damaged in recent weeks by resignations, rows between the governing partners and unusually focused criticism from the opposition Social Democrats.

The proposal, incorporating a 5.4 per cent basic pay increase and *extra payments to bolster* incomes among the lower-paid, came at the end of two days of *tense, secret negotiations led by* Ms Monika Wulf-Mathies, president of the ÖTV, and Mr Rudolf Seiters, interior minister.

Although full details were not available, and fresh ballots of union members are officially required before the strike can be called off, the ÖTV union, which represents 2.3m workers, said it *was suspending* action from midnight. The GdEP railway workers and the DAG white-collar union *followed suit.*

German competitiveness ...... Page 2
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According to early reports, the proposed 12-month deal includes *DM200 ($121) extra holiday pay* all round and a one-off DM750 payment for the lower paid, DM600 for the middle-ranks and nothing for the top tier.

The basic 5.4 per cent rise for low earners is to be backdated to *May 1*, and the higher paid will get their increase on June 1.

No immediate estimates of the *overall* extra cost to public budgets were available, although it was believed to exceed the DM15bn the government was prepared to concede with its 4.8 per cent "final offer", made two weeks ago.

According to Mr Klaus Murmann, president of the BDA, the *largest employers' association* in Germany, a 5.4 per cent deal would increase federal, state and *local government pay bills* by DM17.3bn.

Apparently anticipating government concessions, Mr Murmann said earlier in the day that the private sector was absolutely united in its resolve to relate awards this year to productivity.

"I declare here and now that . . . the result of the negotiations *in the public sector can* and will have no function as a guideline for the private sector," he said. However, the 5.4 per cent headline figure is bound to be seen by private sector unions as the starting point for the next stage of their negotiations.

Last year's wave of increases of up to 7 per cent – since denounced as inflationary by the political and economic establish*ment – followed a 6 per cent deal* in the public sector.

IG Metall, the country's biggest union, which represents 4m employees in the engineering industry, yesterday continued a week of warning strikes with more than 100,000 members taking to the streets.

IG Metall and other private sec*tor unions demanding* 9.5 per cent pay rises this year, have met co-ordinated resistance from employers offering just over 3 per cent and threatening lock-outs.

The engineering union will hold a council meeting next Tuesday to decide on its next steps. After yesterday's breakthrough, a *strike ballot* seemed the most likely outcome.

Other industries hit this week by *unofficial industrial action* include printing and construction, the sole sector showing strong growth.

Chancellor Helmut Kohl, who had repeatedly refused to consider a 5.4 per cent increase proposed earlier by an arbitration council, had also voiced concern over inflationary pressure and the *impact of over-generous settle*ments in the west on investments in east Germany.

More arrests in Italian municipal corruption scandal

Mr Enzo Papi, managing director of Cogefar-Impresit, the leading Italian civil engineering group owned by Fiat, was one of five people arrested as part of Milan magistrates' widening investigation into municipal corruption.

This brought the total arrests to 26 businessmen, politicians and municipal officials, facing charges ranging from corruption, extortion and illegal receipt of money *to bribery and abuse* of public office. Page 14; Blow to Craxi, Page 3

Lloyds shrugs off EC blow: Lloyds Bank *said it was determined to proceed with its proposal* to buy Midland Bank in spite of a statement from Sir Leon Brittan, the EC competition commissioner, that he believed a bid for Midland from Hongkong and Shanghai Banking Corporation fell within Brussels' jurisdiction while Lloyds' rival proposal would not. Page 15; Lex, Page 14

Iranians under suspicion: The US has uncovered "strong indications" that Iranian diplomats helped plan the March 17 bombing of the Israeli embassy in Buenos Aires in which 29 people died and 225 were wounded. Page 4

Hostile reception for Bush: Many Los Angeles residents gave President George Bush a hostile reception as he saw the destruction wrought by riots last week. Page 5

Ericsson, Sweden's leading telecommunications group, announced a pre-tax loss of SKr363m ($61.7m) for the first *three months of the* year, blaming the fall in *demand* in its main overseas markets combined with the group's determination to stick to its long-term technical development programme. Page 15

Walesa seeks way out of crisis: Polish *president Lech Walesa is today expected to seek* a solution to the economic crisis which led to the resignation of finance minister Andrzej Olechowski. Page 2

UK border checks: The European Commission is threatening Britain with legal action if it does *not remove border checks on travellers entering* from other *EC* states by next January. Page 3

Saab Automobile, the car company jointly owned by *General Motors* and the Swedish group Saab-Scania, announced losses of SKr293m ($49.8m) for the first quarter of the year. Page 16

Iran drops investment limit: The Iranian government is removing the 49 per cent limit on foreign investment in business. Page 4

Fury over 'friendly fire' inquest: Relatives of nine British soldiers killed by US "friendly fire" during the Gulf war chased an American military observer attending the inquest at Oxford, demanding to know why the pilots responsible were not there. Page 7

Moscow Narodny Bank: Russia has guaranteed the survival of the London-based trade and project finance bank by injecting more than £300m ($540m) of new capital into Moscow Narodny, in spite of the country's shortage of hard currency. Page 15

Hong Kong contract: An Anglo-Japanese consortium led by Trafalgar House has won a contract to build one of the world's longest suspension bridges, linking Hong Kong's new airport with the mainland. Page 5

Farmers' purses benefit from new sow

The world's first hybrid Meisham sow (left) went on show to farmers at London's Café Royal. She is capable of producing bigger litters of leaner pigs.

Green warriors: A militant environmental group, the Rainbow Warriors, claims it is holding Sidney Reso, head of Exxon's international division who disappeared on April 29. Page 5

Vienna airport to float: *Vienna International* Airport will follow the lead of the British Airports Authority to become the world's second airport group to seek a public flotation. Page 15

NZ railways for sale: The New Zealand government has signalled that four state-owned enterprises, *including the railways and the former* ministry of works, will be sold by the middle of next year. Page 4

Malawi riots kill 38: *At least* 38 people have been killed in rioting in Malawi, a senior diplomat in the capital, Lilongwe, said. Page 4

Lennon's new record: A leather jacket owned by John Lennon was sold in London by Christie's for £24,200 ($42,800), a world record price for a piece of clothing worn by a rock *star* beating the £16,500 paid for Michael Jackson's white glove.

■ STOCK MARKET INDICES		
FT-SE 100	2,761.8	(+3.2)
Yield	4.5	
FT-SE Eurotrack 100	1,182.52	(-0.10)
FT-A All Share	1,296.32	(+0.3%)
Nikkei	18,418.58	(+532.22)
New York: lunchtime		
Dow Jones Ind Ave	3,360.24	(-9.17)
S&P Composite	415.71	(-1.08)
■ US LUNCHTIME RATES		
Federal Funds	$3\frac{11}{16}$%	
3-mo Treas Bills: Yld	3.663%	
Long Bond	$100\frac{3}{32}$	
Yield	7.976%	
■ LONDON MONEY		
3-mo interbank	$10\frac{1}{8}$%	($10\frac{3}{16}$%)
Liffe long gilt future:	Jun $96\frac{21}{32}$	(Jun $96\frac{11}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (June)	$19.825	(19.6)
■ Gold		
New York Comex (May)	$335.8	(337.2)
London	$336.3	(336.8)

■ STERLING		
New York lunchtime:		
$	1.7965	
London:		
$	1.7965	(1.7945)
DM	2.94	(2.925)
FFr	9.8975	(9.85)
SFr	2.715	(2.6925)
Y	238.5	(237.5)
£ Index	92.8	(92.5)
■ DOLLAR		
New York lunchtime:		
DM	1.6355	
FFr	5.5095	
SFr	1.5115	
Y	132.885	
London:		
DM	1.636	(1.6305)
FFr	5.51	(5.495)
SFr	1.511	(1.501)
Y	132.7	(132.4)
$ Index	64.4	(same)
Tokyo close Y 132.18		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr80	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180		
Greece	Dr250	Lux.	LFr60	Qatar	QR10.00		

Banks offered 20% stake in O&Y rescue bid

By Robert Peston

OLYMPIA & YORK, the troubled property developer, yesterday asked its bankers for a five-year freeze on repaying almost $12bn of debt and a suspension of cash interest payments on $4bn of this.

In return the banks were offered a 20 per cent stake in the company in an effort to prevent its collapse. Bankers suggested last night that agreement on the biggest restructuring plan would be difficult to reach.

The rescue plan put forward by the world's biggest property com*pany involved asking its 15* biggest bank creditors to defer principal payments for five years on its worldwide debt.

O&Y in default ....Page 15
Docklands' sinking feeling .... Page 24

This was coupled with a request, at crisis meetings in *London, to suspend* the payment of interest in cash on around $4bn of this debt in return for shares in O&Y.

O&Y also wants £300m ($531m) to complete the existing phases of Canary Wharf, Europe's biggest new office development.

The O&Y negotiating team, led by the company's founder, Mr *Paul Reichmann, told the banks* that work on later phases of Canary Wharf, in east London, *was likely to be delayed for at* least five years.

Mr Jerry Greenwald, O&Y's president, admitted agreement from the banks would not come quickly or easily.

Nonetheless, O&Y's founders, *the secretive Reichmann* brothers, believe they are making a big sacrifice by offering outsiders a stake in their business for the first time in its 35-year history.

There were 70 people at yesterday's meetings, including representatives of O&Y's three biggest lenders, Hongkong & Shanghai Banking Corporation, Citicorp of the US, and Canadian Imperial Banking Corporation. Other banks represented were Barclays of the UK, Crédit Lyonnais of France, Commerzbank of Ger*many and Royal Bank of Canada.*

The initial session of the bank meeting, held in the boardroom at the top of the Canary Wharf tower, the UK's tallest building, lasted from 3pm to 5.30pm but continued into the evening.

Mr Steve Miller, O&Y's chief bank negotiator and a partner in James D. Wolfensohn Inc, presented a five-year business plan. The key elements were:

- The principal on most of O&Y's $12bn *of debt* will not be paid for at least five years, to allow for recovery in property values.
- On $4bn lent to or guaranteed by the parent company, cash interest is unlikely to be paid. Instead, banks will receive non-voting equity shares of Olympia & York up to a maximum value of 20 per cent of the company.
- O&Y is seeking £300m of additional bank finance to complete *existing Canary Wharf phases.*
- It is also asking permission of its Canadian banks to draw $130m of a $240m facility, which is in default.

Former Thai MP Chalard Vorachad who has been on hunger strike to press for the removal of prime minister Suchinda Kraprayoon waves to demonstrators in front of parliament in Bangkok
Report, Page 14

Croats and Serbs plan to carve up Bosnia

By Laura Silber in Belgrade and Judy Dempsey in London

SERB and Croat leaders from war-torn Bosnia-Hercegovina have formulated detailed plans to carve up the republic in a move which defies the peace efforts of the European Community and the United Nations.

The division of the newly independent republic, which would leave the Moslems without a homeland, is being tacitly encouraged by the governments of both Serbia and Croatia.

Secret negotiations this week, held in the Austrian city of Graz, run counter to official statements by Croatia *and* Serbia *that they* recognise the current borders of Bosnia, whose independence was recognised by the international community last month.

Mr Radovan Karadzic, head of Bosnia's Serbs, said on his return from Graz: "We do not need war. We can negotiate the division under the auspices of the European Community."

Speaking in Belgrade, the capital of Serbia, Mr Karadzic – who *has close contacts with Serbian* President Slobodan Milosevic – said the Serbs "will fight if the Croats do not agree to population exchanges, although any nationality is welcome to stay in the Serb regions".

Continued on Page 14

Kmart buys Czech department store

By Nikki Tait in New York and Adriane Genillard in Prague

KMART, one of the largest and best-known US retailers, yesterday announced that it was acquiring a majority interest in MAJ, one of the biggest depart*ment stores in the centre of* Prague.

It also said that it was negotiating with government authorities for the purchase of a further 11 stores in both the Czech and Slovak republics. These deals have been agreed in principle, but are subject to final review and approval.

*This is first time a foreign com*pany has acquired retail outlets in Czechoslovakia, and the deal takes Kmart into Europe for the first time. In the US, its operations range from speciality chains, like the Waldenbooks bookstores, to more than 2,300 discount stores selling general merchandise.

The US retailer – which was built up by a notoriously stingy businessman, Sebastian Kresge, in the early 1900s – said that its total outlay could amount to $100m if all 12 stores are acquired.

This sum would be spread over three years and would include some expenditure on improving the stores. Kmart has paid $11.8m for the MAJ interest, and will invest another $3.5m in this store *alone over the next three years.*

Kmart has been negotiating with the Czech State Asset Fund for at least a year, and is belived to have been interested initially in the rival Kotva store in Prague. This is the country's largest department store, and has been introducing West European goods and displays.

*The MAJ store, although ide*ally located, has a more down-market image, and sells a very wide variety of goods – from clothing to housewares. Kmart said that MAJ's space totalled about 200,000 square feet, significantly more than any of its Kmart stores in the US.

The company says it plans to introduce US retail expertise to Czecoslovakia, and will send some of its personnel to Europe.

US retail sales, Page 18

French cut base rates by ½ point

By Alice Rawsthorn in Paris and James Blitz and Peter Marsh in London

THE FRENCH government yesterday followed the UK and engineered a cut in interest rates in a move which raised further questions about the anchor role of the D-Mark in the European Monetary System.

The cut from 10.35 per cent to 9.85 per cent in the main French banks' base rates came just two days after *Britain* shaved borrowing rates by half a point.

Both actions test the received wisdom that most EMS member countries have to keep interest rates substantially above those in Germany because of Bonn's good record on inflation.

The theory that Germany's economic problems have weakened its pivotal role in the EMS was further bolstered by a strong performance by the French franc and the pound on currency mar-

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CONTENTS

Walesa seeks resolution to Polish crisis

By Christopher Bobinski in Warsaw

PRESIDENT Lech Walesa is today expected to outline his views on how to resolve the crisis which led to the resignation of the Polish finance minister earlier this week.

International Monetary Fund officials meanwhile continued their talks on Poland's economic future in a meeting with Mr Jan Olszewski, the prime minister. The continuing talks are partly aimed at demonstrating that a new IMF agreement is still possible, despite Wednesday's parliamentary vote for higher government spending, which led to the resignation of Mr Andrzej Olechowski, the finance minister.

Mr Michel Deppler, the deputy head of the IMF's European Department, said that the Fund team will stay in Warsaw until its scheduled departure date of May 12. Mr Mark Allen, the IMF representative in Warsaw, added that the talks were based on "the understanding that the Polish Government's objective is to contain the fiscal deficit this year to 5 per cent of GDP and to reduce it in subsequent years".

He added that an agreement would be possible once it was clear that this aim could be achieved.

Agreement with the Fund is essential if Poland is to be able to draw on a $1.6bn (£900m) extended facility granted last year. This was later suspended when the government allowed the budget deficit to overshoot its agreed target.

President Walesa meanwhile signalled continuing confidence in Mr Olechowski, whom he has mentioned as one of the possible candidates for the post of prime minister. Mr Walesa's office later said the meeting had been held so that Mr Olechowski, who will continue to perform his duties until a vote in parliament on this year's budget in two weeks time, could explain the consequences of the parliamentary decision.

President Walesa is expected to address parliament today when he could formally propose that he be granted greater constitutional powers to nominate and dismiss the cabinet. The government at present is appointed by parliament. But he has said that he will stop short of demanding Mr Jan Olszewski's resignation, appealing for "more dynamic government" instead.

Parliament yesterday opened a debate on a series of draft laws which provide for cuts in welfare payments, pensions and unemployment benefits originally designed to keep the budget deficit within limits acceptable to the IMF.

German competitiveness surviving a bruising

By Edward Balls

THE COMPETITIVENESS of Germany's exporters, as well as the stability of its government, has been dented by the rise in wage inflation following German unification.

But German will need a few more years of high pay settlements before the relative gains in competitiveness of the last few years are whittled away.

German unit labour costs are now rising faster than those of its main European competitors, as the right-hand charts shows. With exchange rates now fixed in the European exchange rate mechanism, higher growth of unit labour costs – the wage cost per unit of output produced – feeds directly to lost export competitiveness.

But this rise in German pay inflation represents only a small erosion of the relative competitiveness gains made by German industry over the past five years. The rise in German unit labour costs since 1987 is still lower than that of France, Italy and the UK.

German wage earnings have grown faster than those in France since 1987, the date of the last important realignments within the ERM. But German's superior productity growth record has meant that its unit labour costs, have lagged behind those paid by French industry. Both the UK and Italy have had faster earnings and unit labour cost inflation since 1987.

But German unit labour costs have been catching up rapidly since German monetary unification in July 1990.

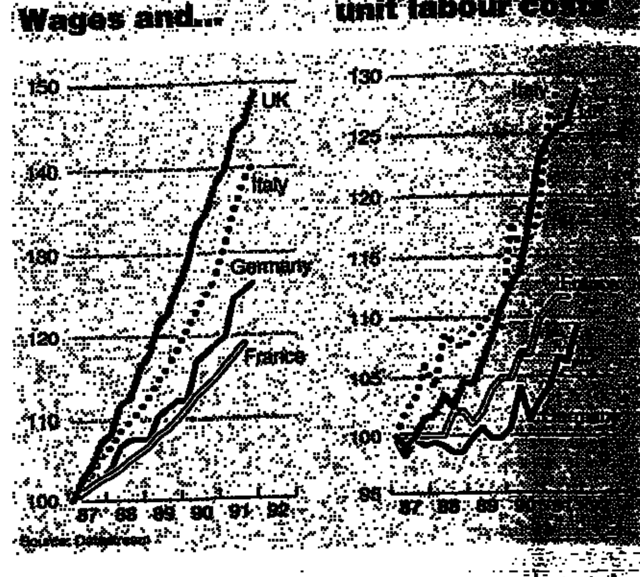
In part, the rise in German wage inflation results from the economic consequences of German unification. The rise in consumer spending by east Germans following the fall of the Berlin wall – and funded largely by hand-outs from the western government – sparked a consumer boom.

But this rise in west German wage inflation was, and remains, unsustainable. The Bundesbank has responded to rising inflationary pressures by pushing up interest rates across Europe; and the government, faced with a ballooning fiscal deficit, has pushing up income taxes. The recent crop of wage demands, and ensuing strikes, is the direct manifestation of the refusal of west German workers to accept a fall in their after-tax incomes.

But the wage acceleration also results from pre-unification tensions. The latter half of the 1980s was a period of unusual wage restraint in west Germany. In return for a drop in working hours, the unions agreed to moderate their wage demands.

With hindsight, the unions underestimated the cost of the fall in working hours. As a result the share of national income distributed to labour, as opposed to capital, fell to levels not seen since the early 1970s. The strikes partly result from their attempts to claw back their share.

But if recent pay trends are worrying for German exporters, they are disastrous for those in the UK and Italy. Despite Germany's boom, and slow or zero growth elsewhere in Europe, UK and Italian wage inflation remains higher than in Germany. Unless wage inflation in these countries falls soon, their competitiveness will quickly start to deteriorate again once productivity growth returns to trend.



President Boris Yeltsin arriving at the Kremlin yesterday for a Russian cabinet meeting after which he declared himself commander-in-chief of the future Russian armed forces. The exact shape and size of the forces is still being debated, writes Leyla Boulton in Moscow.

The move by Mr Yeltsin, who decreed himself Russian defence minister in March, was another step towards establishing Russian control over the divided and disgruntled former Soviet army. Russia has previously hesitated setting up its own armed forces as that would precipitate the break up of the former army, but the move is now necessary to introduce some order into the process. The decision will mean tough bargaining with other republics, in particular the Ukraine, to take over men and weapons stationed on their territory.

Meanwhile President Leonid Kravchuk of Ukraine reversed an earlier statement and confirmed yesterday that all tactical nuclear weapons have been transferred from his country to Russia.

Russia frees prices

By Leyla Boulton in Moscow

The Russian government yesterday freed the price of vodka and gold, implementing moves promised by the government earlier this year. Other price controls are due to be phased out under a programme being fleshed out with the International Monetary Fund.

A government spokesman said the freeing of the vodka price – which now fetches Rbs120 a bottle on the black market – would eradicate corruption and speculation connected with artificially low prices.

Vodka at controlled prices is already virtually unavailable in most Russian cities, including St Petersburg where inhabitants have been given ration cards supposedly entitling them to buy one bottle a month for Rbs45.

The state is to keep its monopoly on production of spirits – although yesterday it gave up its monopoly on the production of beer and wine.

Stormy debate in Germany over Maastricht

SPD says constitution will have to be changed

By Quentin Peel in Bonn

IMPORTANT changes must be made in the German constitution before the Maastricht treaty on European union can be ratified by the two houses of the German parliament.

That is the formal position of both the opposition Social Democratic Party (SPD), and of a majority of the German Länder (states) ruled by SPD governments, which yesterday proposed a series of changes to be made.

Their move throws a new spanner into the works of the increasingly confused and stormy German debate over the European Community although it is a move which is ostensibly dedicated to ever greater European integration.

The constitutional changes now demanded include a precise definition of future European union, or a United States of Europe, which would be subject to strong democratic control – such as more powers for the European Parliament – federalism, the rule of law, and the German concept of a "social state."

The SPD says any future transfer of sovereignty to the EC must be approved by a two-thirds majority in both the Bundestag, the lower house of parliament, and the Bundesrat, the upper house representing the states.

The party and SPD states also insist that both houses of parliament be given the right to "evaluate and approve" the final move of European monetary union from stage two to stage three, the creation of a single currency and central bank. That would appear to amount to almost the same as the "opt out" clause negotiated by the British government in the Maastricht treaty.

They also want it written into the constitution that both houses of parliament must be fully involved in the drafting of future government policy towards the EC, wherever that might affect the federal powers of the German states.

The move was condemned yesterday by Mrs Renate Hellwig, the Christian Democrat (CDU) chairman of the EC committee of the Bundestag, as "absolute madness".

"We are making ourselves incapable of legal functioning," she said. "And we are giving a terrible example to the rest of the Community."

The SPD demands – although specifically described as "not preconditions" – were presented yesterday by Mrs Heidemarie Wieczoreck-Zeul, EC spokesman for the SPD in the Bundestag, as a formal and joint decision of the SPD national executive, the parliamentary group, and the governments of the SPD states.

Approval by the SPD is necessary before the treaty can be ratified

They have been tabled just a week before Chancellor Helmut Kohl has a meeting with the premiers of all 16 German states, in an attempt to agree on an acceptable constitutional underpinning for the ratification of Maastricht.

Approval both by the states, and the SPD, is necessary before ratification, because the Maastricht treaty already requires minor constitutional amendments to allow voting rights for all EC citizens in local elections, and to allow the introduction of a European central bank. They therefore have the power to block the whole process.

In addition to the demand for greater parliamentary and federal control over future transfers of sovereignty to the EC, the SPD wants to widen the voting right in local elections to include all foreigners resident for an extended period in Germany – a move certain to be resisted by the CDU and its sister party, the Christian Social Union (CSU).

Mr Günter Verheugen, the SPD representative on the parliament's constitutional committee, said the proposals "create a completely new political situation in relation to the ratification of Maastricht. We want to make it impossible that the German constitution will be negated by actions at the European level."

Mrs Wieczoreck-Zeul said that meant an insistence on "democracy, federalism, the rule of law and the social state" – existing German constitutional principles which might be over-ruled if other EC member states were prepared to created a "centralised, bureaucratic Europe." The whole aim was to ensure the transfer of adequate democratic powers to the European Parliament, and to prevent the dilution of true federalism.

The SPD initiative has left Mr Kohl's CDU in some embarrassment, because there are still clear divisions within the party on how far it should also insist on moves to strengthen European political as well as monetary union.

Officials now fear that the chances of a ratification bill being approved at the end of next week's talks are extremely slim, making it unlikely that such a bill could be pushed through the cabinet by the end of May, or presented to parliament before the end of June, when the summer recess begins. Thus the entire ratification process could be put off to the autumn.

Tajik opposition consolidates hold

By Gillian Tett in Dushanbe

A COALITION of Islamic and democratic opposition forces consolidated their control of the Tajik capital Dushanbe yesterday, after their apparent overthrow of the ex-Communist government.

The situation last night remained very tense with both sides allegedly still holding hostages. Sporadic outbursts of gunfire continued throughout the city and former Soviet army tanks were patrolling the streets near their garrison.

A protocol agreement, aimed at ending the bitter dispute between the opposition and the former communist government was yesterday signed by representatives from both sides after 24 hours of negotiations and fighting which left at least 20 people dead.

Under the agreement, the Communist government has been replaced by a Revolutionary Coalition Council until parliamentary elections are held later this year.

The democratically-elected president, Mr Rahmon Nabiyev is to be retained as nominal head of state. However, Mr Nazrullo Dustov, the powerful hardline vice-president, and other key government figures have been removed.

The whereabouts of Mr Nabiyev and government ministers is unclear after reports that he had fled the capital.

How effective the protocol agreement will be in defusing the situation is unclear.

Many of the more radical opposition factions bitterly oppose any form of coalition with the former government. The opposition is divided over how prominent a role Islam should play in the future government.

It seems unlikely that the northern regions of Tajikistan, traditionally a Communist party stronghold, will peacefully accept the new regime.

A ceasefire has been declared and appeals have been made for all militia groups to be dismantled. Although the garrison insists it will not intervene in the conflict, it has been placed on full alert after two of its personnel were shot dead last night.

Earlier in the day most of the pro-government militia groups and supporters who had been guarding the parliamentary buildings left the city in a convoy heading towards the Kulyab region, a stronghold of government support.

As they left, opposition gunmen and armoured personnel carriers bearing the green Islamic flag overran the parliament amid a hale of indiscriminate shooting and shouts of "Praise to Allah".

With weapons still spread throughout the city, further clashes and reprisals remain likely.

Latvia introduces own rouble

By Leyla Boulton in Moscow

THE Baltic republic of Latvia yesterday introduced a parallel currency to the rouble to make up for a shortage of rouble banknotes to pay salaries.

Mr Einars Repshe, chairman of the Latvian central bank, said he hoped Russia, which is giving republics a choice of staying in a rouble zone or setting up their own currencies, would not take retaliatory action.

The so-called Latvian rouble, which has been printed in Latvia, would co-exist with the Soviet rouble, which Russia is now calling its own. "From today all salaries and wages are being paid with it," he said.

Both currencies would be accepted in Latvian stores.

But he said that to avoid swelling the money supply, Soviet roubles would be frozen in bank accounts and exchanged for new Latvian banknotes.

The Soviet currency could only be bought by Latvian inhabitants wishing to purchase goods in the other former Soviet republics.

Mr Repshe said the decision to introduce the new currency was not in reaction to a Russian ultimatum stating that only those republics that observed strict monetary, budgetary, and credit policies from July 1 could continue using the rouble as their currency.

A Russian spokesman said the move could cause problems but admitted Moscow had no organised plan how to respond.

Mr Repshe said that Latvia would be ready to issue its own proper currency, the lat, next year at the earliest. He said privatisation had to get under way and Latvian enterprises had to become more competitive. In the mean time, it would be prepared to join a tough financial policy with other republics that was "civilised".

There are shortages of cash all over the former Soviet Union but because Russia controls the printing presses, it has some discretion as to where cash goes.

EC threatens Britain over border checks

By David Buchan in Brussels

THE European Commission is threatening Britain with legal action if the UK does not remove border checks on travellers entering from other Community states by next January.

The threat is contained in the Commission's latest report on the state of progress towards abolition of all controls on goods, services, capital and people crossing internal EC frontiers.

The EC executive says, in its report issued this week, that it is "resolutely determined to use all the legal and political means at its disposal" to ensure fulfilment of Article 8a of the 1986 Single European Act (SEA), which defines the internal market as "an area without internal frontiers".

The Commission's maximalist interpretation of Article 8a has been known for some time, and its threat of legal action is by no means solely directed at the UK. Eight of the Community's continental members have already committed themselves to a free travel zone, through the 1990 Schengen Convention, and Greece has associated itself to the Schengen group as an observer. But Denmark and Ireland are also dragging their feet on plans to abolish border checks on intra-EC travellers - the former because of its passport union with Nordic countries, and the latter because of its passport union with the UK.

Nonetheless, the chief target of the report - which the Commission specifically delayed publishing during the recent UK election campaign - is Britain.

The UK has always argued that the SEA's commitment to free movement of people applies only to EC citizens, and that controlling non-EC citizens coming into the UK inevitably requires checking the credentials of EC passport holders too.

In addition, the UK government argues that the SEA's commitment to free movement is qualified by the treaty's explicit permission for member states to take action against crime, drugs and terrorism. "Many other EC states agree that we need to keep controls" for these purposes, a senior UK official said yesterday.

Britain has therefore recently reduced, but has no intention of abolishing by the end of this year, checks at ports such as Dover which only receives travellers from other EC states such as France and Belgium.

Increasing pressure from the Commission this year may embarrass the UK during its presidency of the EC Council of Ministers. If the Commission takes the UK before the European Court of Justice next year, it appears confident of winning.

The Commission report noted that in recent case law, the Court shares its maximalist reading of the single market commitment.

Sweden seeks to link crown to EMS

By David Marsh

MR Carl Bildt, the Swedish prime minister, yesterday held out his country's firm intent of seeking association with the European Monetary System before Sweden's planned EC membership in 1995.

European finance ministers are expected at the weekend to have a preliminary discussion about Sweden's wish to link the crown to Europe's exchange rate stabilisation scheme, Mr Bildt said.

He was speaking after talks in London with Mr John Major, the British prime minister, and Mr Douglas Hurd, the foreign secretary. These centred on Sweden's desire for speedy accession to the EC, with negotiations expected to get under way early next year.

Sweden, Austria and Finland, aim to use Britain's six month presidency of the EC from July 1 to press their claim for membership of the EC.

Declaring that "the merits of the Swedish case are immense", Mr Bildt said there were "only very, very few problems of substance" in its forthcoming entry negotiations. He was reasonably confident Sweden would meet the 1995 target.

Wider membership of the EC by the Nordic countries was necessary to help the integration of eastern and central European countries facing very large restructuring problems. Asked about this week's decision ruling out a takeover of the Procordia pharmaceutical and food group by the Volvo car maker - a deal which Mr Bildt sternly opposed - the Swedish prime minister was magnanimous in victory. The outcome showed, he said, that deals of this kind could be resolved in "an orderly and disciplined fashion."

Finnish economy starts to pull out of slump

By Robert Taylor in Stockholm

FINLAND'S economy has begun to pull out of its worst slump since the early 1920s, but full recovery is still some way off, according to an economic analysis released yesterday by the country's ministry of finance.

The latest signs of optimism are a substantial improvement in Finland's exports which rose by 13 per cent in value and 11 per cent in volume during the first quarter.

The trade balance for the January-March period reached FM2bn(£251m), helped by last November's 12.3 per cent devaluation of the Markka.

Finland's industrial production has also begun to rise after a 6 per cent drop last year.

A 7 per cent growth rate is expected in the forestry sector in 1992 and around 2 per cent in engineering with an improvement in profitability due to better price competitiveness.

However, other economic indicators are less optimistic. This year's overall growth rate is set to fall by a further 1 per cent after a 6.0 per cent drop in 1991.

The government's own deficit this year is predicted to rise to FIM54bn and registered unemployment looks set to average 11 per cent, while household consumption has fallen by an annual rate of 4 per cent over the early months of the year.

Earnings rises will be only from 2 to 2.5 per cent in 1992 with an annual inflation rate of only 3 per cent.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Dail to clear way for referendum

By Tim Coone in Dublin

AN Irish government white paper on the Maastricht Treaty was expected to be overwhelmingly approved by parliament yesterday clearing the way for a national referendum on June 18 to seek backing for ratification.

The opposition supported the bill, but criticised the government's wish to postpone legislation on the controversial abortion issue until after the referendum. A special Maastricht protocol preserves Ireland's ban on abortion. The opposition says legislation is needed to clear up confusion over womens' right to travel abroad for abortion.

Milan scandal deals a heavy blow to Craxi

26 people have been arrested on corruption charges, reports Robert Graham

FOR a nation long inured to businessmen and politicians lining their pockets, the corruption scandal in Milan marks a watershed in the morality of Italy's public life.

Milan magistrates are exposing, with fresh ramifications daily, a network of pay-offs on rigged public works contracts with the funds being channelled to the political parties.

In the past two months 26 businessmen, municipal officials and politicians, including five over the past two days, have been arrested on corruption charges. Many more are under investigation including Mr Carlo Tognoli, a former Socialist mayor of Milan and outgoing minister of tourism, and Mr Paolo Pillittieri, also a former mayor of Milan, newly elected deputy and brother-in-law of Mr Bettino Craxi, the Socialist leader.

Previous scandals in Italy have involved larger sums of money – like the collapse of the Banco Ambrosiano – or more prominent public figures, as in the unmasking of the masonic lodge, P-2. But the investigations were always obstructed by powerful vested interests and the truth was obscured.

The Milan scandal is different. The large nationwide protest vote in the April general elections has weakened the traditional parties of power, the Christian Democrats and Socialists, obliging them to seek new partners in a yet unformed government. In Milan the emergent populist Lombard League became the second largest party, committed to clean out corruption.

These two elements make it more difficult for the course of justice to be obstructed and indeed the post-electoral political climate in Italy is unprecedentedly favourable to a clean up of public life and the investigation has acquired a seemingly unstoppable momentum.

Magistrates, egged on by the media immediately judging every accused to be guilty, have uncovered the following. On February 17, Mr Mario Chiesa, the head of the city's oldest charitable hospital, the Pio Albergo Trivulzio, was arrested allegedly in the act of taking a L7m (£3,160) bribe relating to work at the Pio Albergo. Enquiries by magistrates led to allegations that he possessed L12bn in cash and bank accounts. According to magistrates' charges, Mr Chiesa was the central figure in an elaborate system of rigged contracts, pay-offs and secret funding of political parties since the mid 1980s.

Tognoli: under investigation

Craxi: under pressure

Pillittieri: former mayor

Under investigation are some of the major public works contracts in Milan such as the enlargement of the metro, refurbishment of the San Sirio stadium, the rebuilding of Linate and Malpensa airports, and the new 'Piccolo' theatre.

Officials of companies involved in these contracts are alleged to have handed over money to prominent members of the local Socialist and Christian Democrat parties as well as the Party of the Democratic Left (PDS). The Socialists and the Christian Democrats have set up special commissions to examine the affairs of Milan.

Milan has long been run by a Socialist controlled administration and has been the power-base of Mr Craxi - his son, Bobo, is the local secretary. This city, the symbol and centre of modern Italy's wealth, has long prided itself on its efficient "clean government".

The damage to Mr Craxi's reputation, the involvement of the "uncorruptable" PDS and the undermining of the Milanese sense of propriety have given an added edge to the affair.

Mr Craxi's once-fancied chances of heading the next government have been dealt a serious blow and the formation of a new government is expected to be further complicated by the divisions within, and among, the parties exacerbated by the effects of the scandal.

In the case of the socialists, there are calls by anti-Craxi figures for a special congress to discuss thorough reform of the party. The Christian Democrats are split over what action to take, afraid that being too tough over Milan would oblige a further cleansing of the party apparatus elsewhere in Italy. The PDS leadership is distancing itself from its members under investigation in Milan.

The revelations also coincide with Italy's economic recession and growing public demands for sweeping reforms of the political system.

On the one hand, hard pressed businesses have begun to discover they can no longer pay 10-15 per cent "commissions" on contracts. On the other, the Lombard League has put morality onto the agenda.

Systematic rigging of public works contracts, political pay-offs and illegal funding of the parties are national phenomena in Italy. They are products of a political system which has encouraged a vast army of people - at least 1m according to rough estimates - to live off inflated party bureaucracies which need in turn ever more funds to survive. The Lombard League is calling for a complete revision of, and total transparency in, party funding.

Filipinos ponder choices as presidential election nears

Jose Galang looks at the candidates' backgrounds and their chances of succeeding Mrs Corazon Aquino as head of state

THE PROBLEM with Filipinos, it is often observed, is that everyone wants to be leader. This perhaps is the best explanation for the large number of candidates vying for national and local government positions in next Monday's general election.

There are seven candidates for president. Some 80,000 more are competing for nearly 16,980 other positions – from vice-president to town mayors and councillors.

Given the reputation also of most local politicians as poor losers, the immediate task of unifying the nation after the bruising 90-day campaign appears most daunting for the winners.

No clear winner is emerging among the presidential contenders. Mrs Miriam Defensor Santiago, a former judge and immigration commissioner, has consistently topped the polls.

But most analysts trivialise these, arguing that political machinery of the big parties will play a big role. Mrs Santiago is running for the newly formed People's Reform Party which pegs its agenda on a crusade against corruption in government. The party was the only one not able to gain official accreditation from the Commission on Elections (Comelec), which recognised only six.

Comelec accreditation is important because it authorises the party to deploy "watchers" at the polling centres and intervene in activities in case of questionable acts. Parties accredited are also entitled to copies of the Comelec certificate of canvas, the document on which any protests can be based.

An awesome machinery is what Mr Ramon Mitra, speaker of the House of Representatives, is banking on. He is the standard bearer of the majority Laban ng Demokratikong Pilipino (LDP), under whose wings the bulk of incumbent officials are standing. The LDP's bid has also been boosted recently by the "implied" endorsement of Cardinal Jaime Sin, head of the Roman Catholic archdiocese of Manila, whose influence over the predominantly Catholic population is substantial.

However, Mr Mitra's image as a "traditional politician" (referring to old-style politics of patronage and largesse) is a handicap. The recent discovery of LDP campaign printing materials at the House of Representatives' printing office, furthermore, has imperilled his bid. He and his entire line-up could be disqualified if his involvement is proven.

The Comelec is conducting an inquiry into the discovery of the printing materials at the House in a "raid" by leaders of the Lakas Edsa-National Union of Christian Democrats, which is fielding Mr Fidel Ramos, former defence chief. LDP officials, attempting to defelect attention from the discovery, have warned that the "raid" could be a preview of the militarist rule of Mr Ramos if he wins.

Mr Ramos was head of the Philippine Constabulary, regarded as the most undisciplined of the four military units during the martial law government of former president Ferdinand Marcos. The human-rights record of the military during Marcos' rule has been raked up as a campaign issue against Mr Ramos.

Indeed, the past continues to hound most candidates in an election that should be focusing on how the country could move briskly into the future. Two big symbols of the excesses of the Marcos government – his widow Imelda and his best-known crony Mr Eduardo Cojuangco – are also among the presidential hopefuls. But while Mrs Marcos has only a slim chance, Mr Cojuangco is considered one of the frontrunners at the home stretch.

Mr Cojuangco has diversified investments in local industries and is one of the few candidates seen capable of putting up a credible programme to rev up the economy. However, his involvement in monopolist policies in the Marcos era, such as that in the coconut industry, is proving to be a tough stain to expunge.

Mr Marcos allegedly provided Mr Cojuangco with a large financial base, through the United Coconut Planters Bank, in the form of a levy on the coconut industry.

Collected between 1973 and 1982, the levy brought in at least 9.7bn pesos, of which a large part was apparently permitted to be used by Mr Cojuangco to buy into various businesses, including San Miguel Corporation, the country's largest industrial entity.

Along with Mrs Santiago, the only other candidates who have not been linked to the tarnished past are Mr Salvador Laurel, Mrs Aquino's estranged vice-president, and Mr Jovito Salonga, former Senate president. Mr Laurel, owing to his bitter falling out with the Aquino administration, has marginalised himself over the past years.

Mr Salonga, on the other hand, appears to offer a vision for the future which so far has been attracting academics and certain left-leaning groups. However, many of the country's jobless remember Mr Salonga's rejection last year of a treaty to extend the stay of the US military facilities here.

Although their withdrawal will be not be completed until this summer, the bases are now almost bare, as are the cupboards of the families who made their livings there.

Unemployment is also a major problem in rural areas, where most of the 65 per cent of the population living below the poverty line reside.

Whoever replaces Mrs Aquino after the May 11 election may not enjoy the same majority which swept her to power in 1986. However, he or she may be able to provide the decisive leadership that Mrs Aquino clearly lacked.

Wellington offers railways for sale

By Terry Hall in Wellington

THE New Zealand government, struggling with high external debt, yesterday signalled that four state-owned enterprises, including the railways and the former ministry of works, will be sold by the middle of next year. They have a collective value of around US$600m (£339m).

State owned enterprises minister Mr Maurice McTigue said the government was looking into New Zealand Rail, the Works Corporation, Landcorp and the Government Computer Service to see whether privatisation was the best option.

Mr McTigue stopped short of saying the sales were inevitable. But he said it was clearly the intention of the government to sell, providing there were no impediments. There are difficulties with a big Maori land claim under the 1840 Treaty of Waitangi, and privacy issues surrounding the computer company which manages the national register of all police, court and traffic offences. Parliament may need to pass urgent privacy legislation to permit a sale.

Mr McTigue refused to give a breakdown of how much each of the businesses were expected to fetch. He said the sales would be used to retire external debt. Decisions to sell would be based on the likelihood of greater efficiency and financial gain for the businesses and a reduction of financial risk to the government and the taxpayer.

He said that New Zealand Rail, which owns the ferries which link the North and South Islands, and the national network of tracks, trains and bridges, but not the land over which the trains run, is committed to a $NZ350m (£106m) modernisation programme over the next three years. Mr McTigue said the government did not wish to pay for this.

The other companies earmarked for sale include Workscorp, which operates large engineering, roading and construction companies, and Landcorp which owns 180 farms. The sale of the farms would be handled in such a way as not to depress the value of other farm properties, the minister said.

Bangkok citizens rally to Mr Clean

GENERAL Chamlong Srimuang, the opposition politician on the fourth day of a hunger strike to demand the resignation of Thailand's unelected premier, is a moralistic former general dubbed "Mr Clean" by his supporters, Reuter reports from Bangkok.

His uncompromising piety and idealism have made him hugely popular among Bangkok citizens grown tired of rampant corruption and influence-peddling in high office.

They voted for his Palang Dharma (Moral Force) party in droves during the March 22 general elections and it took 32 of the 35 seats contested in the city. Gen Chamlong's vow to fast to death unless Gen Suchinda Kraprayoon resigns the premiership brought tens of thousands of people onto the streets in support of his protest.

A devout Buddhist, Gen Chamlong won his spurs politically in two terms as Bangkok's governor, during which his efforts to fight corruption, to clean the city's streets and spare them annual floods, won him a strong base of support.

He spurns the expensive suits, flashy cars and gold watches favoured by many other politicians. He wears the simple denim garb of a peasant and sandals cut from old tyres.

His image as a politician untainted by corruption makes a strong contrast with that of the new Thai cabinet, which includes ministers Gen Suchinda himself accused of corruption after he had staged a coup against the last elected prime minister in February 1991.

Gen Chamlong has survived attacks by rivals who criticised him for failure to solve Bangkok's worsening traffic and air pollution problems, and who tried to discredit him for association with a renegade Buddhist sect deemed heretical by the mainstream Buddhist authorities.

In a city known for its massive sex industry, Gen Chamlong abstains from sexual contact with his wife. He wakes before dawn and eats one meal a day. "Eat less, spend less, work harder" has become his slogan.

Thais prefix his name with the title Maha – denoting a venerated Buddhist – because of his monkish habits.

Gen Chamlong was born into a poor ethnic Chinese family, which his widowed mother struggled to support as a street vendor.

Gen Chamlong confers with fellow opposition MPs yesterday near the parliament building on the fourth day of his hunger strike

Top marks in school took him into the army, where he saw action in Vietnam and Laos, and rose to the rank of major-general.

He left the military in the early 1980s to stand for the Bangkok governorship.

Because of his steely character, his vow to fast until death has been taken seriously. He has ordered his supporters to stand guard in shifts to prevent any attempts to force him to eat or take him to hospital.

He has vowed not to speak during his fast and instead has communicated through signs.

Two days of unrest leave 38 dead

Banda faces threat to his 28-year grip on power

By Michael Holman in Johannesburg

PRESIDENT Hastings Kamuzu Banda of Malawi was last night facing his most serious crisis since independence in 1964 after 38 people were reported killed as industrial unrest and looting continued for a second day.

Earlier reports of a coup attempt against Dr Banda, who is in his 90s, seem unfounded, but the violence is a symptom of political tensions and a deteriorating economy.

The combination of mounting opposition to his autocratic regime, led by the church and trade union movement, and external pressure from donors which are making aid conditional on human rights reforms, make it unlikely that Dr Banda can weather the storm.

The unrest began in the commercial centre of Blantyre, say western diplomats in the country's capital, Lilongwe, when 3,000 workers on strike at a factory took to the streets on Wednesday.

Looting broke out as the workers, demanding a pay rise, were joined by thousands of anti-government protesters, and para-military police opened fire. Demonstrations and looting continued yesterday, said diplomats and local residents, and the Blantyre offices of the ruling Malawi Congress party, the country's only legal political party, were reportedly ransacked.

Earlier this year Catholic church leaders took the unprecedented step of criticising the government's human rights record in a pastoral letter read to congregations across the country.

Last month a leading trade unionist, Mr Chakufwa Chihana, was arrested on his return to Malawi after calling for multi-party elections when addressing a meeting of Malawian dissidents in neighbouring Zambia. Mr Chihana was due to in court in Lilongwe yesterday, but failed to appear.

Donors preparing for next week's meeting in Paris of the World Bank-chaired aid conference on Malawi have already warned the government that further help will be linked to political as well as economic reforms.

Dr Banda has exercised a near-feudal control of Malawi since independence in 1964, ruthless in his treatment of opposition either real or suspected. In one notorious incident in May 1983, three cabinet ministers and a member of parliament died in what was officially described as a car crash. They were almost certainly assassinated.

For several years the power behind the throne has been Mr John Tembo, minister in the president's office and uncle of Miss Cecilia Kadzamira, a long serving and influential figure with the formal title of official hostess.

Iran lifts limit on foreign company investment

By Scheherazade Daneshkhu

THE IRANIAN government is removing the limit on foreign investment in business and companies, according to Abrar, a Tehran daily newspaper.

The paper reported yesterday that the Supreme Council for Investment had decided on Tuesday to drop the investment limit which restricts foreigners to a 49 per cent stake in Iranian ventures.

It commented that the decision was designed to attract funds from the World Bank and the International Monetary Fund for several industrial projects and that these institutions had advised Iran to abolish limits on foreign ownership.

Mr Mohsen Nurbakhsh, the minister of economy and finance, and Mr Mohammed Adeli, governor of the central bank, returned this week from Washington, where they attended the spring session of the World Bank and IMF.

Iran is seeking foreign investment in the fields of gas, energy, agriculture, transport and communications. The government of President Hashemi Rafsanjani has signalled that it is serious about trying to rebuild the country after its eight-year war against Iraq, naming the 1990s the "decade of reconstruction".

The country, with a population of over 58m, remains an attractive market for trade but foreign companies have been less enthusiastic about investing in the country. Iranian delegations have been sent around the world, making presentations aimed at projecting an image of Iran as a friendly and stable country with which to do business.

Last year, a team from the Central Bank and the Plan and Budget Organisation, told London businessmen that foreign ownership was limited to 49 per cent because Iran had had bitter memories of foreigners being granted total control over important sections of the economy, such as roads, railways and the sale of oil.

The present move is, therefore, politically sensitive but it comes just after a round of parliamentary elections in which pro-Rafsanjani candidates trumped their radical rivals who are opposed to foreign investment and the moves towards privatisation which are also taking place.

The move demonstrates the need Tehran has for new investment to galvanise the economy.

UN envoy takes message to Col Gadaffi

By Mark Nicholson, Middle East Correspondent

A SENIOR United Nations envoy yesterday left for Libya bearing a letter for Colonel Muammer Gadaffi, the Libyan leader, in what appeared a further mission to emphasise that Tripoli must comply with UN resolutions demanding the extradition of two suspects in the Lockerbie bombing.

No details on the purpose of the visit were made available yesterday. But diplomats in New York stressed that the trip was not prompted by any movement in the deadlock between Libya and the UN. The visit appears designed rather to keep channels of communication open between the UN and Tripoli.

Mr Vladimir Petrovsky, UN undersecretary-general, is expected to arrive in Tripoli at the weekend. He visited Tripoli earlier this year to call on Col Gadaffi to hand over the suspects and is expected to repeat the demand in a meeting with the Libyan leader.

As the secretary-general's representative, Mr Petrovsky has no brief to negotiate with Col Gadaffi, but rather will reiterate the terms of UN resolution 731, which calls on Libya to hand over the Lockerbie suspects and four men accused by France of being behind the bombing of a UTA airliner and for Tripoli concretely to dissociate itself from acts of terrorism. "This is not mediation, just communication," said a western diplomat at the UN.

Mr Petrovsky will tell the Libyan government that air, arms and diplomatic sanctions placed on April 15 will remain in force until Libya complies with resolution 731. Countries applying the sanctions, under UN resolution 748, are expected to give a progress report on their compliance to the UN Security Council on May 15.

Iran involved in attack on Israeli embassy, says US

THE US has uncovered "strong indications" that Iranian diplomats helped to plan the March 17 bombing of the Israeli embassy in Buenos Aires in which 29 people died and 225 were wounded, a senior state department official said yesterday, Reuter reports from Washington.

The official, who spoke to Reuters on condition of anonymity, said Iranian embassies all over Latin America and elsewhere were collecting information on other possible targets for attack.

They were concentrating on Israeli, Jewish and American targets.

But he said the US did not have conclusive proof of Iranian culpability.

The US official said: "There are some indications that Iranian embassies in Latin America have been collecting information which might be important substantive background to planning such an attack."

Koreas seek to implement pact terms

By John Burton in Seoul

SOUTH AND North Korea took the first steps yesterday towards implementing their non-aggression pact signed last December.

The prime ministers of the two countries agreed at a meeting in Seoul to establish three committees by May 18 to help carry out the pact's terms.

A military committee will supervise proposed reductions in tensions on the Korean peninsula, while two other panels will promote economic and cultural exchanges.

But details about how the committees will function was left unclear and could become the subject of disputes between Seoul and Pyongyang. Seoul agreed to a North Korean proposal for a reconciliation committee for political co-operation, but its function also remains vague.

Another potential problem is a failure to reach agreement on procedures for mutual nuclear inspections as stipulated by a non-nuclear accord also signed last December. The two sides will discuss the issue next week and hope to reach a solution by the end of the month.

Liaison offices to facilitate exchanges and handle contacts between the two Koreas will be established at the truce village of Panmunjom.

The first family reunions since 1985 will take place in August, although it will be limited to 100 elderly Koreans from each side.

ICI to close ephedrine plant in Australia

By Paul Abrahams

ICI AUSTRALIA, the subsidiary of Imperial Chemical Industries of the UK, is closing a A$38m (£16m) plant at Newcastle in New South Wales only five months after it was fully commissioned.

The plant which produces ephedrine, an ingredient for cough and cold remedies, made a pre-tax loss of A$7m in the first half to 31 March, according to the subsidiary. The factory, the only of its kind in Australia, was built in the late 1980s to export to the Far East. However, competition from Japan and China has led to persistent losses.

Mr Philip Weickhardt, general manager of the subsidiary's speciality chemicals operations, said the plant would be mothballed.

"It is unlikely we will be re-opening it for ephedrine production, as we do not see it as commercially viable," he said. He added the company had a number of options for the fine chemicals plant including selling it. About 50 employees will be affected by the factory's closure.

● Restructuring of the European fibres industry continued as Akzo, Dutch chemicals group, announced reorganisation of its carpet fibres operations. The company is meeting unions with the intent to cut as many as 250 jobs beyond the 60 already agreed. The company said its carpet fibres business had been troubled for some time because falling demand had led to excess capacity and falling prices. Akzo said it is looking for a long-term partner to secure the future of the business.

Masood denounces Hekmatyar over peace conditions

By Steve Levine in Kabul

MR Ahmad Shah Masood, Afghanistan's defence minister, yesterday rejected demands by Mr Gulbuddin Hekmatyar, his rebel rival, to eject former government militiamen from the capital, praising them for helping depose the toppled regime.

Mr Masood, denouncing Mr Hekmatyar in his first news conference since precipitating the collapse of the former Soviet-supported government, also vowed to prevent the radical mujahideen leader from making further attacks on Kabul in his bid for ultimate power in the country.

Some diplomats, however, predicted that the ceasefire would collapse, particularly given Mr Masood's uncompromising posture.

"Watch the rockets start falling Saturday morning," one senior European diplomat said after the news conference.

"Perhaps for a short time Mr Hekmatyar will be able to use his rockets and kill more innocent people," Mr Masood said. "But I assure you that soon we will push him so far back that his rockets won't reach the capital."

Mr Masood also claimed that, in addition to the removal of the former government militia, Mr Hekmatyar was demanding the removal of President Sibghutullah Mojaddedi.

While confirming that negotiations were going on with Mr Hekmatyar as part of a three-day truce that began on Wednesday, Mr Masood made no attempt at conciliation. He said that political leaders would decide what role Mr Hekmatyar could play in the government, but made no effort to hide his contempt for his long-time enemy.

Mr Masood's political leader, Mr Berhannuddin Rabbani, yesterday went to see Mr Hekmatyar on Kabul's outskirts, sources said. But Mr Masood seemed to rule out many of Mr Hekmatyar's demands for a full halt to the hostilities conducted since the regime's 14-year rule ended two weeks ago. The militia, which has conducted much of the fighting against Mr Hekmatyar, is considered part of Mr Masood's military backbone.

Mr Masood pointed out that Mr Hekmatyar was allied with former defence ministers Mr Shahnawaz Tanai and Mr Aslam Watanjar, who were among the hardest line members of the toppled government.

Mr Hekmatyar has enormous supplies of arms south of Kabul and his stubborn refusal to join the government is seen as one of the reasons for the mujahideen government's failure to stabilise.

Meanwhile, there was continued confusion about an announcement on Wednesday that the government would set up a new supreme court to try "traitors".

The announcement, by government spokesman Asif Mohseni, implied a reversal of Mr Mojaddedi's and Mr Masood's guarantee of a blanket amnesty to former regime members. In an interview yesterday, Mr Mohseni said that under Islamic law the government could not take away an individual's right to press charges against a criminal.

A spokesman for the 51-member ruling council said the government had not approved any reversal.

High Sri Lanka death toll

TWENTY-THREE Tamil guerrillas and 11 soldiers were killed in fierce fighting in eastern Sri Lanka yesterday, police said, Reuter reports from Colombo.

They said 16 rebels and eight soldiers were killed when troops stormed a coastal base of the Liberation Tigers of Tamil Eelam in Batticaloa district. Nine soldiers were wounded and four rebels were captured, police said.

Three soldiers and seven rebels died earlier yesterday when guerrillas ambushed a government patrol on a road in neighbouring Polonnaruwa district.

Police said there were two other battles in the jungles of Polonnaruwa between troops and rebels, but no details were available. Polonnaruwa was the scene last week of a series of massacres in which 130 people died.

Tamil rebels attacked a Moslem village, killing 56 people. Moslem villagers in retaliation killed 74 Tamils in two neighbouring villages. A government spokesman said yesterday that a committee comprising a retired judge, a senior army officer and a senior policeman was investigating the killings.

Protesters greet Bush during visit to battered Los Angeles

By George Graham in Washington

MANY Los Angeles residents gave President George Bush a hostile reception yesterday as he saw for himself the destruction wrought by riots last week.

Walking through black, Hispanic and Korean areas of the city's downtown area, Mr Bush expressed his "horror and dismay" at the results of the "wanton lawlessness".

But the president also said he wanted to tackle the roots of the urban and social problems that provided the fuel for the rioting, which was sparked off by the acquittal on charges of assault of four policemen who were filmed savagely beating a motorist, Mr Rodney King.

"There must be no return to the status quo," Mr Bush said as he arrived in the city late on Wednesday night. "You have to get at the cause. You've got to do that," he added yesterday.

However Mr Bush faced protests from those Angelenos who felt he should have come sooner to visit their battered city, as well as those who felt that by coming now he was merely placing an unnecessary extra burden on the police and soldiers who are keeping the peace.

He also met protests from the Korean-American community, which was in many instances singled out last week as the target of violence.

Korean-American shopkeepers gathered outside Mr Bush's hotel, chanting "We want justice." Banners proclaimed "We need money now," and "Mr President – if you won't help, Clinton will."

Governor Bill Clinton of Arkansas, the presumptive Democratic presidential candidate who visited the riot-torn areas of Los Angeles on Monday, has criticised Mr Bush for blaming the problems of the inner cities on the "Great Society" welfare programmes introduced by President Lyndon Johnson in the 1960s. He has been cautious in his criticism of the president's response to the Los Angeles crisis, however.

Other demonstrators yesterday protested at the response of the police to the outbreak of violence last week.

Mr Daryl Gates, the controversial chief of the Los Angeles Police Department, has come under renewed attack for having been inadequately prepared for an outbreak of unrest in response to the acquittal of his four officers.

The department has been accused of pulling its officers out of the area where violence first broke out, thus giving a green light to the rioters. Many shopkeepers have also complained that police did not answer their calls for help and stood by as looters pillaged their stores.

Mr Gates has agreed under pressure to retire in June, after 14 years in his job, but local politicians yesterday called for him to resign immediately.

President George Bush and members of his federal task force for restoration in Los Angeles inspect damage in the city yesterday, accompanied by bodyguards

Congress defies president over cuts in budget

By George Graham in Washington

PRESIDENT George Bush and Congress are heading for stalemate over plans to cut unnecessary spending from the US budget for the current year.

In March, Mr Bush sent Congress a bill to rescind \$5.6bn of authorised funds, which he called "wasteful spending."

Congress is now ready to send him a bill to cut even more, but is wielding the scalpel in places the president had not selected, creating the likelihood of a presidential veto.

Mr Bush's list of cuts targeted agricultural research programmes in the home districts of influential Democratic senators and representatives.

The Democrats hit back by picking on administration spending, such as the cost of a door-to-door chauffeur for the director of the Agency for International Development.

Aside from this backbiting, the core of the debate has been over the future of the Seawolf submarine, a very expensive boat whose usefulness is felt by defence analysts to have died with the Soviet Union.

Mr Bush wanted to end the Seawolf programme after the one submarine already under construction. The House of Representatives voted for two vessels.

The Senate – influenced by its two members from Connecticut, where the Seawolf is built – wanted to build three. It preferred to trim funding for the B2 stealth bomber and the Strategic Defence Initiative, drawing Mr Bush's veto threat.

It was disingenuous of Mr Bush to call the Seawolf, whatever its merits or demerits, an example of pork-barrel spending. Less than a year ago, his administration fought to preserve the \$2bn submarine.

Besides, the Seawolf's principal advocates, although motivated primarily by concern for Connecticut jobs, can make a reasonable case for preserving the US capacity to build nuclear submarines, even at the cost of building vessels that are not needed.

Meanwhile, neither side has found the willpower to cut the big spending programmes which are swelling the US budget deficit: social security and medical insurance.

Brazil in nature-debt swap move

THE Brazilian government, host of the Earth Summit next month in Rio de Janeiro, has launched its debt-for-nature swap programme at last, report Stephen Fidler and Christina Lamb in São Paulo.

However, Mr José Goldemberg, environment minister, expressed disappointment at the initial response to the programme, which was long debated within the administration.

Such swaps involve the creation of local currency for environmental projects, in exchange for the cancellation of foreign debt.

Mr Goldemberg said: "So far we have received offers of only \$6m."

Global climate compromise in view

DELEGATES to the final round of negotiations in New York on a global climate treaty are working to produce a late compromise that could avert a breakdown in the talks before the Earth Summit next month in Rio de Janeiro, reports George Graham in Washington.

After protracted negotiations broke off at 4am yesterday, no agreement had yet been reached on a draft treaty, but a text could be produced today before the talks are due to end.

Some delegates were still hopeful that Mr Jean Ripert, French chairman of the talks, would be able to produce a text to resolve the glaring disputes on whether to set firm targets for reducing emissions of gases that cause the greenhouse global warming effect, and on financial arrangements to help the developing world make environmental improvements.

Mr Ripert proposed last week a draft text that seemed to win US acceptance. The US has has been a big obstacle to agreement by refusing to accept a specific target for pegging emissions of carbon dioxide, the main greenhouse gas, at 1990 levels by 2000.

However, Mr Carlo Ripa di Meana, EC environment commissioner, described the text as a "sell-out".

German delegates expressed unhappiness at the absence of any goal for a reduction in emissions.

Delegates to the talks said they believed a "reasonable compromise" on goals was still possible.

Progress towards an agreement without targets has increased the likelihood that US President George Bush, the only major leader who has not yet agreed to go to the summit, would attend.

Third World environmental protection fund to be given wider role

THE Global Environmental Facility, the fund administered by the UN and the World Bank to help developing countries protect the environment, is to be restructured so as to give it a wider role, writes David Lascelles, Resources Editor.

The facility, set up as a three-year experiment in 1990, is to be given a more enduring status, after decisions at the World Bank meeting in Washington last week.

It is to be altered in two main ways. Governance of the GEF is to be made more democratic by opening it to universal membership.

At present, its policies are dominated by the wealthy countries which provide most of the money, and by its World Bank administrators.

A new Participants' Assembly would be created.

The facility will also be offered as a channel to fund projects under two conventions being negotiated for the Earth Summit next month in Rio de Janeiro.

Pemex hires outside inspector

PEMEX, Mexico's national oil company, has hired Bechtel, a US engineering company, to conduct an independent review of its installations and procedures, in an attempt to avoid a repeat of the explosion that killed more than 200 people at Guadalajara last month, reports Damian Fraser in Mexico City.

This is the first time Pemex has given another company unrestricted access to itself. This might be the clearest sign yet that the company is being forced to drop objections to foreign participation in its activities.

Bechtel will examine Pemex's distribution centres (including oil terminals and tanks) and its oil, gas and petrol pipelines, as well as employee training.

Exxon executive 'held by ecological militants'

By Alan Friedman in New York

A MILITANT environmental group, the Rainbow Warriors, has claimed it is holding Mr Sidney Reso, head of Exxon's international division, according to a New York press report yesterday.

There was no official confirmation of the report but US law enforcement officers are investigating claims that a series of ransom messages has been received about Mr Reso, who disappeared on the morning of April 29 while going to work in New Jersey. His car was found at the end of his driveway, with the engine running and the door ajar.

The New Jersey state prosecutor's office said it could not immediately confirm the press report that tape recordings and a written message had been sent by alleged kidnappers.

Mr Jim Morakis, a spokesman for Exxon, said it had "no new information."

The company is seen as a prime enemy of militant environmentalists, who accuse the company of arrogance over the oil spill disaster caused by the Exxon Valdez tanker off Alaska in 1989.

Rainbow Warrior was a protest ship owned by the Greenpeace environmental group. It was sunk by French secret service saboteurs in a New Zealand port in 1985. Greenpeace said yesterday it had nothing to do with the ransom messages.

Colonial government's rejection of lower tender by Korean group prompts accusations of unfairness

UK-led consortium wins Hong Kong bridge contract

By Simon Davies in Hong Kong

AN Anglo-Japanese consortium led by Trafalgar House has won the contract to build one of the world's longest suspension bridges, linking Hong Kong's new airport with the mainland, even though Hyundai of South Korea made a lower tender.

The Hong Kong government said yesterday the Trafalgar consortium's HK$7.14bn ($915m) bid was the "lowest acceptable offer". Hyundai had bid HK$2.43bn less than Trafalgar House, but the Korean company fell US$393m short of the government's standard capital requirements, designed to ensure the company has enough capital to complete the contract.

The decision provoked controversy in the colony. The lion's share of airport-linked contracts awarded so far have gone to British companies. However, immediate reactions to the awarding of the contract to a more expensive British-led tender were more subdued than expected.

The airport core project is already over-budget and there is local suspicion that the project is Britain's final move to cash in on its colony before the hand-over to China on July 1, 1997. It is scheduled for completion within five years.

Mr Albert Chan, of the United Democrats, the party which won the majority of the directly-elected seats in the Legislative Council last year, said he was concerned there may have been undue favouritism towards British companies over airport consultancy contracts. The majority have been picked up by UK-related companies.

> There is local suspicion that the airport project is Britain's final move to cash in on its colony before the hand-over to China

But with regard to the bridge contract, he said the government's argument for choosing the Anglo-Japanese consortium appeared convincing. However, he deferred judgment until he had time to examine the decision more closely. He said he would discuss it with Hyundai.

The Chinese authorities have been kept informed of the decision, although no formal consultation is necessary since the project does not straddle 1997 and does not require financial guarantees from the post-1997 government. China has made no official comment.

The Tsing Ma bridge is the largest single contract so far for Hong Kong's Port and Airport Development Scheme, which will cost HK$114bn at March 1991 prices.

With a centre span of 1.38 kilometres, the bridge is the longest section of the Lantau Fixed Crossing, which provides a road and rail link between the Chek Lap Kok airport and central Hong Kong.

The government has been accused of unfairly requiring Hyundai to provide special financial guarantees, thereby creating an uneven playing field for competitors on the bridge contract.

Mr K.Y. Leung, secretary for the Treasury and chairman of the Central Tender Board, denied showing favouritism. He said Hyundai had been the only bidder to fail to meet the standard financial requirements.

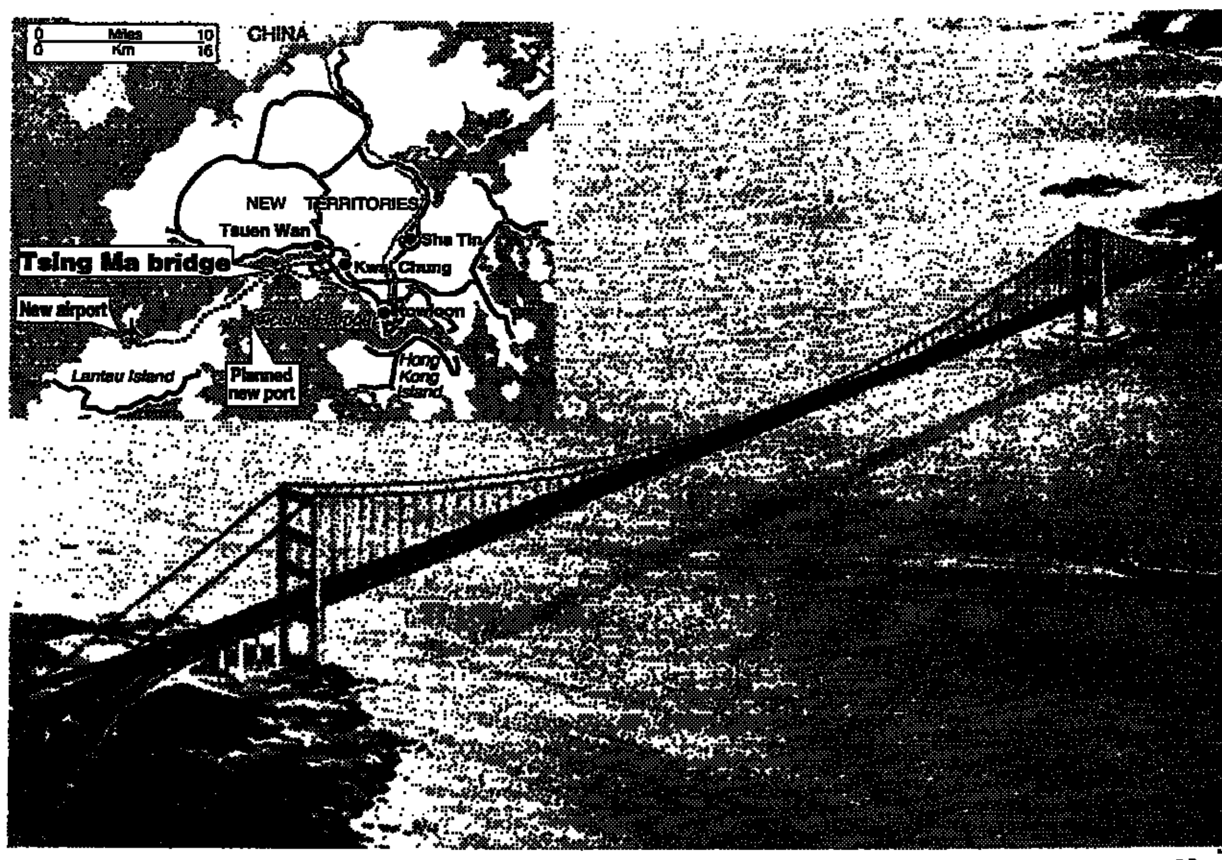
"Hyundai have not been able to offer us satisfactory assurances that their position would be corrected," said Mr Yeung.

The final decision was made on the basis of four criteria: price, technical and management expertise, evaluation of the construction programme and compliance with contract specifications, including the fulfilment of completion deadlines. Mr Leung said the Anglo-Japanese consortium came first in all the categories, with the exception of price.

The next highest bidding consortium was the French-led Hong Kong International Consortium, which made a HK$7.36bn tender, while an all-Japanese consortium made a HK$10.96bn tender.

The Anglo-Japanese consortium comprises Dorman Long Overseas (a wholly-owned subsidiary of Trafalgar House), Costain Civil Engineering and Mitsui, with each company holding a one third share. The major sub-contractor will be Gammon (the Hong Kong construction company owned by Trafalgar House and Jardine Matheson).

Trafalgar House has significant expertise in bridge building. Its subsidiary Cleveland Structural Engineering has helped build five of the world's 15 longest bridges.



An artist's impression of the Tsing Ma bridge. With a span of 1.38km, it will be one of the longest in the world

Tanzania pressed to ban wild bird trade

By a correspondent in Tanzania

TANZANIA is coming under increasing international pressure to end its trade in wild birds, largely because of the appalling conditions in which many are transported.

Tanzania is understood to be the second largest exporter of wild birds in the world, trading up to 2m a year as pets in Europe, the US and Japan. Nine illegal shipments of protected birds have been discovered in Tanzania this year, all using forged documents.

Tanzania is desperately short of foreign exchange, and has seen the trade as a valuable source of earnings – about $15m a year. But following the discovery of abuses, all airlines except the national one has banned the cargo.

In March this year, an illegal shipment from Dar es Salaam carrying 11 crowned cranes and eight saddle-billed storks aroused controversy when six of the birds were dead on arrival in Amsterdam. These had been carried by Aeroflot via Moscow, and the Russian airline is being sued by Dutch airport authorities.

About 60 airlines worldwide now refuse to transport live birds. But for the Lausanne-based Convention on International Trade of Endangered Species (Cites), most concern is focused on proper enforcement of regulations governing the carriage of live birds, rather than a total ban on the trade. Cites argues that many birds suffer unduly because basic standards to ensure their safety are ignored by airlines.

Up to 20m live birds are traded worldwide each year to supply the pet industry, with the EC the largest market, accounting for about 3m birds. Other leading exporters are Indonesia, Senegal and Argentina. Around 10 per cent of birds die either during or shortly after being transported.

Local trappers receive only a fraction of the selling prices. They get about 40 cents for a small bird selling on world markets at about $5, and about $40 for a larger bird that will sell for around $150.

Russia and India to end barter trade

By K.K. Sharma in New Delhi

TRADE between Russia and India, seriously disrupted in the past year with the break-up of the Soviet Union, is expected to resume soon on a hard currency basis.

"Rupee" trade, the barter system used by the two countries for three decades, will end. The two nations are to sign a memorandum of understanding this week.

The payments will now be credited and debited to a central account with India's central bank. The bank hopes trade will be balanced so that there is no outflow of dollars.

Mr Gennady Burbulis, the Russian secretary of state, who visited New Delhi this week, said his country stood by the trade protocol signed earlier this year.

For India, the most important exports from Russia are crude oil and petroleum products worth $650m this year. India has agreed to provide a credit of $85m to enable Russia to buy four agricultural commodities – tea, coffee, tobacco and spices. Further credits will be made available as the flow of trade increases.

Airport contract

A UK-Canada consortium, led by British Aerospace and the Ontario-based construction group Armbro Enterprises, has won a $170m contract to build and operate a new terminal at Prague international airport, writes Bernard Simon in Toronto.

The other bidder was a consortium led by Bouygues, the French construction group, and Lockheed, the US-based airport operator.

McDonnell picked

South Korea has selected a $91bn bid by McDonnell Douglas to launch the country's first telecommunications satellite in 1995, writes John Burton in Seoul.

In defeating General Dynamics and Arianespace for the contract, McDonnell promised to award 21 per cent of the total to Korean companies.

Eximbank boost for Russian oil

THE US Export-Import Bank said yesterday it would guarantee loans for two Russian companies to import $90m of US oil production equipment and planned to make total credits of up to $1bn available to Russia's oil sector, Reuter reports from Moscow.

Mr Eugene Lawson, the US agency's vice-chairman, said Eximbank had agreed with Russia's foreign trade bank to provide $90m for Texas-based Lufkin Industries to supply two Russian enterprises.

"We can put serious money into this crucial area...Anywhere from $500m to $1bn for starters," he said.

The agency's board decided last month that Russia was worthy of short and medium term credits and began doing business with it for the first time since breaking ties with Moscow in 1974.

Mr Lawson said it had pinpointed the oil sector as an area where relatively low investment could make a huge difference in boosting foreign currency earnings.

"I'll be coming back in a month to see if we can sign an agreement that will allow us to put immediate credit into Russia," Mr Lawson said.

He said Russian oil output was crippled by lack of spare parts. The oil industry had the potential to boost Russian export earnings.

In the longer term the agency, which provides guarantees for banks which finance US export deals, aims to help upgrade Russia's neglected oil pipelines, increase refining capacity and boost exploration.

Car sales revive after 30-month recession

By Kevin Done, Motor Industry Correspondent

NEW car sales in the UK rose by 9.1 per cent in April, the first year-on-year increase in 30 months and the first sign that the most severe recession in the market since the Second World War may have ended.

The motor industry warned, however, that the April figures should be treated "with a degree of caution".

New car sales a year ago were already low because of the recession and were further depressed by the impact of the increase in value added tax on April 1 1991, which means that the size of the increase last month could be misleading.

Optimism yesterday was also dampened by the continuing decline in new commercial vehicle registrations, which fell in April by 11.3 per cent from the same month a year ago.

New commercial vehicle sales have suffered a year-on-year fall for 31 months in succession. Some car makers insisted that consumer confidence was showing signs of improvement, however.

Mr Ian Coomber, sales director at Vauxhall – the General Motors subsidiary – said the April figures reflected what had been happening at the company's dealers. "Consumer confidence has clearly returned after both the Budget and the election and customers are now coming in to buy rather than just to window-shop."

Imported cars took a 55.4 per cent share of UK new car sales in April compared with 56.3 per cent a year ago, while the import share in the first four months was slightly higher than a year ago at 54.9 per cent.

In the first four months this year the French car makers Renault and the Peugeot group, along with BMW of Germany have gained most ground in the UK new car market.

In April alone the Volkswagen group of Germany also increased its sales strongly after a prolonged period of weakness.

Mr Michael Hollingsworth, chief economist of the Society of Motor Manufacturers and Traders (SMMT), said the figures were "clearly encouraging" as the first tangible sign of improvement for 29 months.

New car sales in April rose to 138,106 from 126,588 in the same month a year ago according to the figures released by the SMMT yesterday.

In the first four months, sales were 6.7 per cent lower at 544,317 compared with 583,318 in the corresponding period a year ago.

New car sales last year suffered the steepest year-on-year decline since 1974, and at 1.59m were 31 per cent lower than the 2.3m achieved in 1989.

Vauxhall forecast that sales for the whole of 1992 could rise by 6 per cent to 1.69m, but this implies an accelerating rate of recovery in the second half of the year following the 11.1 per cent year-on-year decline in the first quarter.

Ford, the UK new car market leader, welcomed the April figures with "cautious optimism". It warned it was already taking significant orders for the key August sales month, however, which could restrain the rate of recovery in the three months from May to July.

The month of August, which traditionally accounts for more than a fifth of annual car sales because of the change in registration number prefix, will be the crucial factor in determining the level of car sales for the remainder of the year.

Lawyers criticise US role in Gulf war accident

LAWYERS representing the families of nine British servicemen killed by so-called "friendly fire" during the Gulf war yesterday accused the US authorities of preventing the American airmen involved from testifying at the inquest into the killings.

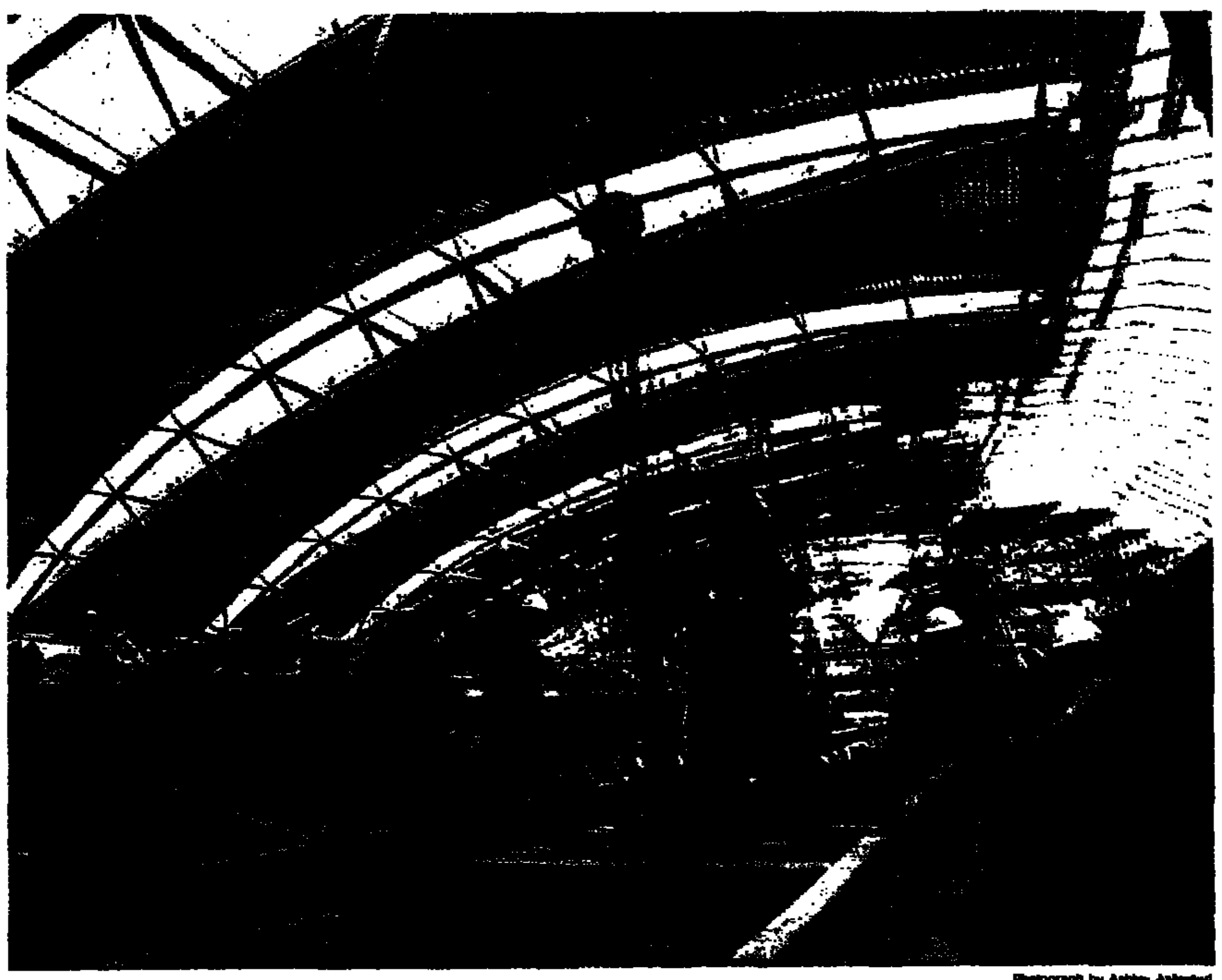
The nine soldiers died when two US A10 aircraft mistakenly attacked a British convoy following the invasion of Iraq.

Speaking on the opening day of the inquest, Mr Geoffrey Robertson QC, representing the families, said: "Because these are British people who died, the American attitude at the moment is that they do not have to co-operate."

The US military authorities have issued a 25-page statement on the incident, which Mr Robertson said showed "staggering discrepancies" between the pilots' version of events and that of the English air traffic controllers.

Statements given by the American pilots "simply could not be true", he said. If the inquest was to reach anything other than an open verdict it was vital to hear from the pilots, he added.

The hearing continues.



Photograph by Ashley Ashwood

Line to the Continent: track laying has started at the international rail terminal, above, which will link the existing London Waterloo mainline station with the route to the Channel tunnel

Britain in brief

Strike threat to London Tube system

London Underground could be hit by industrial action following a vote in favour of a strike by members of RMT, the main union involved.

The threatened strike is over the loss of 5,000 jobs from the 21,000 workforce. Changes in grading structures and working practices are also planned. The job losses are due to be phased over three years and there will be no compulsory redundancies, according to management.

New Channel ferry casts off

Brittany Ferries, the French cross-Channel ferry operator, has taken possession of the largest vessel yet to operate between the UK and France: the Normandie, weighing 27,000 gross tonnes.

The £80m vessel, which makes its maiden voyage on the Portsmouth-Caen route on May 18, carries 2,200 passengers and 630 cars.

Debit card complaints

The UK's five largest supermarket chains have set up a committee to fight increased charges on credit and debit card transactions imposed by the "Big Four" banks.

Asda, Gateway, Safeway, J Sainsbury and Tesco said they had already made a formal complaint to the Office of Fair Trading about what they claim are unfair trading practices by the banks.

Retailers objected to charges they pay using Switch, the electronic debit card system set up by National Westminster, Midland, and Royal Bank of Scotland.

These appear to have doubled to between 8p and 10p per transaction.

Office to be sold by tender

The depressed state of the London property investment market has prompted Regalian, the property developer, to adopt the unusual tactic of selling a office block by tender.

The developer hopes to choose four potential buyers to make bids for Red Lion Court, a office building in Southwark, near the City of London.

The 128,500 sq ft building, which is let to Lloyds Banks, has a reserve price of £45m. In 1989 Regalian unsuccessfully tried to sell the property for £65m.

Tourist resorts receive boost

Six of England's leading seaside resorts are to receive £1.7m to improve facilities, according to the English Tourist Board (ETB).

The investment will go to Brighton, Blackpool, Eastbourne, Skegness, Weymouth and Weston-super-Mare.

Beer output falls by 3.5%

Beer production in the 12 months to the end of February fell by 3.5 per cent. The Brewers' Society said that the output of 37.1m barrels reflected continuing depressed sales.

BA promotion

British Airways has launched a year-long promotional campaign, costing £17.5m, to increase business class traffic.

British Gas under pressure

The government turned up the heat on British Gas with an announcement that it would introduce more competition into the gas market earlier than expected.

Mr Tim Eggar, minister for energy, indicated he would consider opening the household gas market to rival suppliers in May next year – three years sooner than expected.

Butchers may close 600 shops

Dewhurst, which runs the UK's biggest chain of butchers, will today reveal details of a substantial rationalisation of its 1,006 stores. The company, part of the privately-owned Vestey empire, refused to confirm or deny reports that it planned to close up to 600 shops with the loss of 1,000 jobs.

'Quantum leap in pig breeding'

The exclusive Cafe Royal in London became a pig pen yesterday. It was the venue for the National Pig Development Company to show off its new Anglo-Chinese hybrid, the Manor Meishan (above).

Lord Plumb, MEP and former president of the National Farmers Union, described the hybrid as a "quantum leap in pig breeding". It combines the astonishing reproductive performance of the Meishan – each sow has 16 piglets per litter from two or three litters a year – with the lean meat characteristic of the British Large White and Landrace breeds.

The Manor Meishan looks smooth and sleek, without the heavy folds of skin characteristic of its Chinese ancestors. But like them it has 16 teats – and sometimes even 18 – to accommodate its large litters. A typical European pig has 12 teats.

Government to impose tight spending limits

By Ivor Owen, Parliamentary Correspondent

GOVERNMENT ministers were yesterday warned to expect hard bargaining with the UK treasury over public spending as they negotiated their budgets for the next financial year.

Mr Michael Portillo, making his first House of Commons speech, as chief secretary to the Treasury promised to keep the "firmest grip" over the total of public expenditure when treasury officials begin bi-lateral discussions next week with government departments.

Speaking on the second day of the debate on the Queen's Speech, the government's new legislative programme, he underlined the government's commitment to reduce the share of the national income taken by the State and to balance the budget over the medium term.

Mr Portillo said medium term policy would be designed to ensure that the convergence criteria for the member states of the European Community agreed at the Maastricht summit were met. Taxes would be reduced "when it is prudent to do so".

Mr Portillo stressed: "Unlike the Labour party we do not believe in the inexorable growth of reach and size of the State. Nor do we believe that the State can and should try to solve all our problems".

He angered opposition MPs by taunting Mrs Margaret Beckett, Labour's finance spokeswoman who hopes to become Labour's deputy leader, over her role in steering the party to its fourth successive election defeat by framing a shadow budget requiring a £7bn tax increase.

The government's determination to control public spending and to conduct its business prudently did not simply arise from a desire for efficiency and sound economic policy.

Responding to a challenge from Mr Dennis Skinner, the Labour MP, the chief secretary said he had "no reason to change" the budget forecast that the public sector borrowing requirement for the current financial year would total £28bn.

Mr Portillo said the government had been returned to power because it had gained the voters trust by showing that it could reduce public borrowing, end the inexorable rise in public expenditure's share of national income, and bring about a massive reduction in personal taxation.

Major pledges to protect EC rebate

DOWNING Street signalled yesterday that Mr John Major is ready to veto any attempt by its European Community partners to reduce the £1.8bn rebate which Britain receives on its contributions to Brussels.

Senior ministers have been discussing the implications for the rebate of plans by the Commission to restructure and expand the Community's financial base. Detailed proposals from Brussels are expected within the next few weeks.

Whitehall officials said that Mr Major, who faces the prospect of a small but noisy rebellion by some Tory MPs over legislation to implement the Maastricht treaties, would block any changes unless the British rebate was protected.

The government also published a so-called short bill yesterday which will implement the Maastricht agreement on economic and political union. The bill makes clear that a separate decision by parliament would be required before sterling could be absorbed into a single European currency.

Anglo-Dutch drug merger raises fears of monopoly

By Robert Rice, Legal Correspondent

ONE of Britain's largest pharmaceutical wholesalers is to be asked to divest part of its stake in the UK business of Medicopharma NV, the Dutch pharmaceutical wholesaler, on the ground it has stifled competition.

The move follows a report by the Monopolies and Mergers Commission (MMC) which decided the merger in November 1991 of Medicopharma's UK operations into those of AAH Holdings was likely to operate against the public interest.

Mr Michael Heseltine, trade and industry secretary yesterday instructed Sir Gordon Borrie, director general of fair trading to seek appropriate divestment undertakings from AAH Holdings.

The MMC decided the merger had led to a reduction in competition in the Grampian and Highland regions of Scotland, that was significantly greater than would have occurred if Medicopharma's UK subsidiaries had been placed in receivership.

The commission did not consider competition would be significantly affected at national level or in areas served by the other two depots of Medicopharma UK acquired by AAH in southern England.

The MMC recommended that AAH should be required to divest a business approximating as closely as possible to the business carried on by Medicopharma UK from its Aberdeen depot immediately prior to the acquisition.

AAH and UniChem are the two largest UK wholesalers of pharmaceutical products accounting for just over 60 per cent of sales of all pharmaceuticals in 1990. AAH had 30 per cent of the market valued at £2.84bn. Medicopharma UK was the third largest wholesaler in 1990 accounting for 8 per cent of the market.

AAH said yesterday it was disappointed that the acquisition had been referred to the MMC but welcomed the Commission's findings that that there was no material effect on competition at a national level or in most of the UK.

Tougher stand urged on pension fund frauds

By Norma Cohen

PENSION funds, as major shareholders in British companies, must take a more active stand in order to prevent more Maxwell-style frauds, a Bank of England official told a pension fund conference yesterday.

Mr Pen Kent, director of the Bank of England for finance and industry, told the National Association of Pension Funds (NAPF) meeting in Glasgow that its members "are not standing up to be counted." Shareholders too often failed to exercise their right to vote, he said, and bear some responsibility for failing to insist on curbs on the late Robert Maxwell.

Furthermore, shareholders have not contributed enough to the debate over what companies should disclose in their corporate accounts. "We need to hear more from users of accounts about what is currently provided," he said.

Mr Kent said that although there is "no such thing as a risk-free society" there is a need to tighten regulation of the investment industry."

Also at the conference, NAPF chairman Mr Brian McMahon outlined the trade group's support for pension reform. "The days are gone, indeed if they ever existed, when this association could say that everything is fine, nothing wrong with the way we run our schemes, and especially nothing wrong with the way I run mine," Mr McMahon said. "Maxwell has cast a giant shadow over us."

Among other reforms, the NAPF is studying their feasibility of a compensation arrangement for pension scheme members similar to that available to private investors.

Other reforms endorsed by the NAPF include requiring boards of trustees to offer equal representation to employers and members and a requirement that auditors certify that the composition of trustees has been maintained at all times. He also urged that schemes be required to pay for trustees' training.

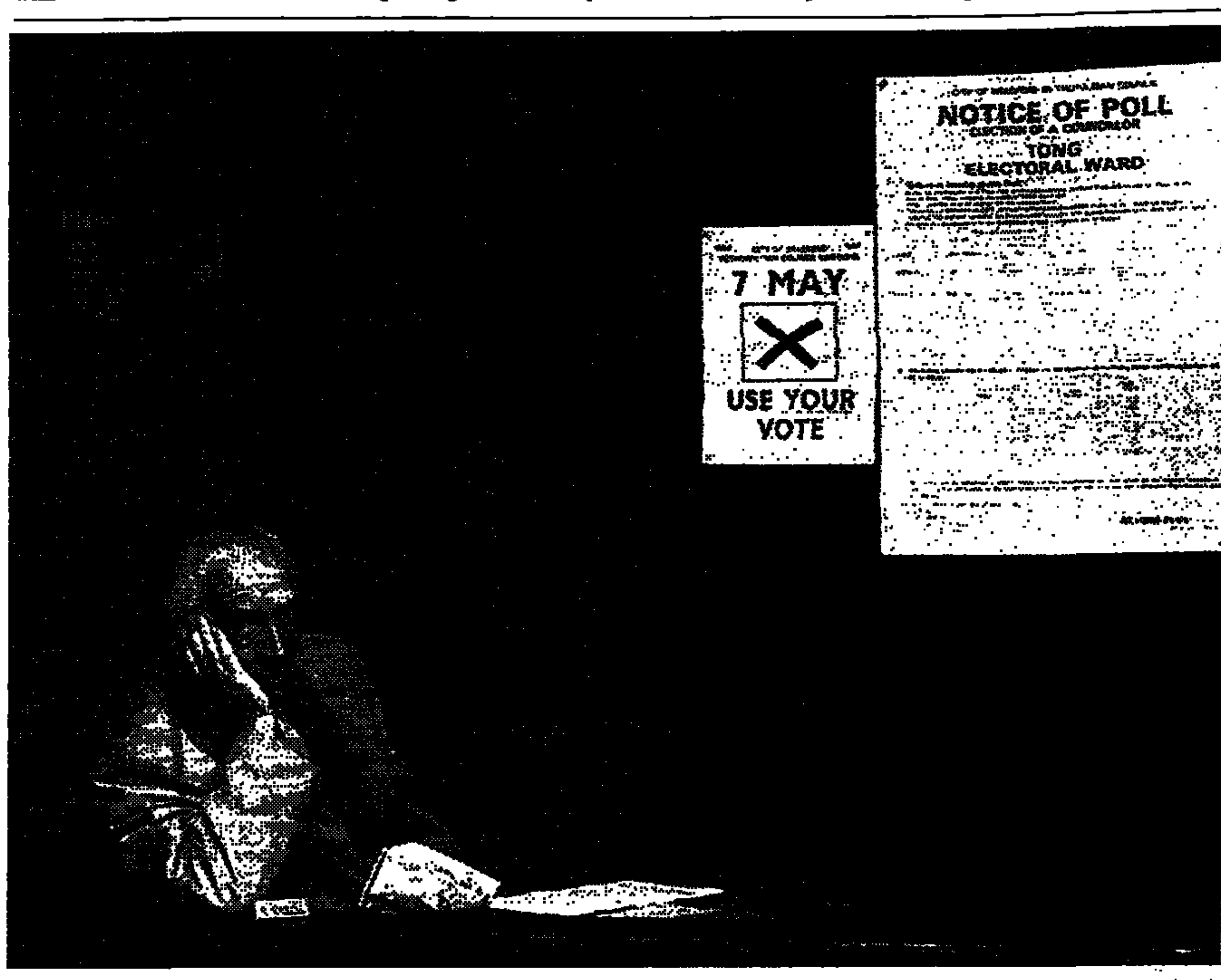
● Law courts and politicians are increasingly challenging companies' rights to appropriate pension fund surpluses for their own benefit, a leading pensions lawyer told the conference. Mr John Cunliffe, a partner at McKenna and Company, called for clearer laws to end ambiguities over the ownership of surpluses.

"It is unacceptable to leave the ownership of assets worth millions of pounds in limbo. We need a clear legal framework to determine who owns the surplus," he said at the yesterday's conference.

Mr Cunliffe said that until the question of surplus ownership is settled it will be impossible to draft new legislation to safeguard pension-fund assets.

Earlier this year a cross-party social security parliamentary committee recommended a wide-ranging package of measures to safeguard pension funds, following the disappearance of some £450m from pension funds controlled by the late Robert Maxwell. But the committee stopped short of offering a view on the ownership of pension fund surpluses, saying that question should be studied further by a top-level commission.

Mr Cunliffe said that politicians appear increasingly to hold the view that pension fund surpluses belong to members, not the company.



ELECTION apathy was expected to deter many people from voting yesterday in local government elections in England, Scotland and Wales.

Up to 23m people were entitled to vote but election organisers – including the polling official pictured above at Bradford in northern England – expected apathy could lead to a poor turnout in the 207 districts where polling took place. When council seats were last fought in 1988, the Labour party made more than 100 net gains, the Tories gained four while the centrist SDP-Liberal Alliance lost 75.

US bank sues council on interest rate swaps

By Raymond Hughes, Law Courts Correspondent

A US BANK yesterday emerged as the latest litigant against a London council which incurred large losses through an interest rates swaps scheme.

NationsBank of North Carolina – formerly NCNB National Bank of North Carolina – is suing the south-west London Borough of Hammersmith and Fulham for £806,000, plus interest and costs following a series of protracted legal disputes between banks and local authorities over the issue of swaps.

The litigation stems from the House of Lords' ruling in January last year that all swaps deals entered into by local authorities were void as being outside councils' proper legal powers.

Mr Robert Englehart QC, representing NationsBank, said the bank had been involved in two interest rate caps transactions with Hammersmith, in which it had been intermediary between the council and Midland Bank and Salomon Brothers International.

Mr Englehart explained that a cap buyer paid a lump sum premium to the seller.

In return the seller agreed to make payments to the buyer if a variable interest rate such as Libor exceeded the fixed rate in the contract.

NationsBank had received no payments from Hammersmith but had honoured back-to-back transactions in which it had sold the caps to Midland and Salomon Brothers.

The result had been that NationsBank had lost over £1.75m instead of making an £81,000 profit.

Hammersmith, which had not had to honour its contracts because of the Lords' ruling, now contended that it was entitled to hold on to the premiums paid by NationsBank, giving it a "windfall profit" of £306,000.

Mr Englehart said it was likely that if NationsBank failed in its claim "no other bank will succeed in any swaps cases."

The hearing continues.

Construction industry no longer regarded safe as houses

Diane Summers examines claims that health and safety regulations are ignored in parts of the UK building trade

AN EVIL looking hook is dangling from a piece of frayed rope. The contraption is supporting a plastic dustbin full of building materials which is being hauled by workmen up and down the outside of a three-storey building in North London.

A short distance down the road, Mr Tim Small, Her Majesty's Inspector of Factories, observes the scene. "This is a fairly typical set-up. It's cheaper to use old dustbins but they're not designed to be loaded like that," he says.

The work in progress is a re-roofing job, involving the addition of an extra storey to the building.

Such work is among the most dangerous: one in five of all deaths in construction, itself the most dangerous of occupations, occurs during roofwork. About three workers a month are killed falling off roofs and numerous passers-by are hit, sometimes fatally, by falling materials.

Elsewhere in Europe construction provides just 8 per cent of total employment but accounts for 16 per cent of serious accidents. Fatal accidents in construction occur at three to fives times the rate they do in industry generally: deaths in the UK, France, Germany and Spain total 860 a year.

EC directives aimed at tightening up site safety are in the pipeline and this year has been declared the year of safety, hygiene and health protection at work by the European Commission, with construction – and its most dangerous component, roofing – as priority areas.

It is because of these statistics that the Health and Safety Executive is "blitzing" building sites involving roofwork in an inspection campaign across the country launched today. The campaign will not mean any more inspectors on the streets, but Mr Small and his colleagues will be concentrating their efforts on roofs during the next four months, the busiest period in the roofwork industry.

Outside the north London building, meanwhile, a labourer admits they were cutting corners all round on this job. When the manager arrives Mr Small delivers a lecture on the dangers of improvised hoisting gear. A legal notice is served forbidding the further use of the dustbin and hook arrangement. The bosses' attention is caught by the phrase "fine of up to £20,000" if the legal notice were to be ignored.

It is the sixth time in the week that Mr Small has served a legal notice at a construction site. He says everyone is impressed if you can point to an increased number of notices served and more prosecutions than the last year. But he has real reservations about the time consumed in bringing cases to court.

"It's not always the best use of time," he says. "There might be a £150 fine for not wearing a hard hat and the magistrate asks why you're picking on the guy. When you're in the office preparing paperwork for a case, you're not out there where you should be, stopping the things that are dangerous."

Britain's Health and Safety Executive yesterday warned the construction industry that it was mounting a safety blitz on construction involving roof work.

Inspectors will order building sites to a standstill and take legal action in serious cases where safety rules are being breached, said the HSE. Roofers are the largest single occupational group killed in building accidents – construction itself is the most dangerous of all industry. Most roof work is done by about 7,000 contractors who provide work for 30,000 roofers. The sector is difficult to regulate because about three-quarters of these workers are self-employed and working for companies of three people or less.

MANAGEMENT

Lucy Kellaway meets the dapper Gavin Laird in Peckham

Social engineer who doesn't mind mugs

MY OFFICE

The Victorian facade can be seen from a long way down the Peckham Road, incongruous among south London's council estates and video shops. The Amalgamated Engineering Union's purpose-built headquarters is now restored to its former red brick splendour, with a bright green lawn and flower beds leading up to its front door.

Yet Gavin Laird, the no-nonsense general secretary, has shunned the grand old Victorian rooms. His office is an undistinguished L-shaped space in a new block at the back.

From the room itself, and from his account of what he does there, you would not guess you were visiting a trade union chief. Rather, you might think the dapper and direct Scot was the boss of a medium-sized company – one committed to efficiency and to cost-cutting. Indeed, this sparring partner of British engineering companies is modernising his organisation in exactly the same way that they are struggling to update theirs.

The aim is to make his unwieldy machine with its 1,400 branches and 19th century ethos operate more smoothly. Since he became general secretary, he has cut the headquarters staff from more than 300 to less than 100. "In 1982 there was not a single word processor in the building. Now there is not a single typewriter," says Laird.

If every time he said "members" you heard "shareholders", you would be impressed at how accountable this boss feels. "Mine must be an office that the members can feel proud of," he says. "After all, it is their property." The room is more than respectable, but with its mass produced furniture and functional lights, members need not feel their money has been spent too freely.

When the building was refurbished five years ago, Laird insisted that his office was done last. "I was *ashamed that a trade union had its* staff working in such Dickensian conditions. You should have seen *the toilets!*" These days he positively recommends a visit to the ladies' – which turn out to be tiled, with basins and cubicles: so unremarkable that you wonder what they must have been like before.

In his own room, Laird has let the builders have free run with the decor, but seems happy with the institutional result, and the little signs telling smokers to empty their ashtrays after them. "I'm not fussed", he says. However, there are a few things in the room he is fussed about.

The first are his pictures. Facing his desk is a Lowry-esque painting of a Glasgow tenement, which reminds him of the place he was born. There is the picture of a grim-faced worker with his tools, painted by a joiner at the Swan Hunter shipyard, and a whole collection of sentimental pastels that he bought from a street artist in Jerusalem.

Another prized item is his desk, which Laird uses as further evidence of how he supports his members. The clumping, metal-framed bit of furniture was made by the men at Vickers – at a competitive price, he adds *hastily*.

Above all, there is his music. In the cabinet behind his desk is a *sleek CD player* – "Bang and Olufsen" he announces proudly. "Listen", he says, putting on a piece of Mozart, leaning back in his chair and sighing.

This is a ritual he goes through every morning at 7am, when he starts his day. Laird works hard and is happy to let you know he is in the office for some 12 hours a day and takes work home in the evenings and at weekends.

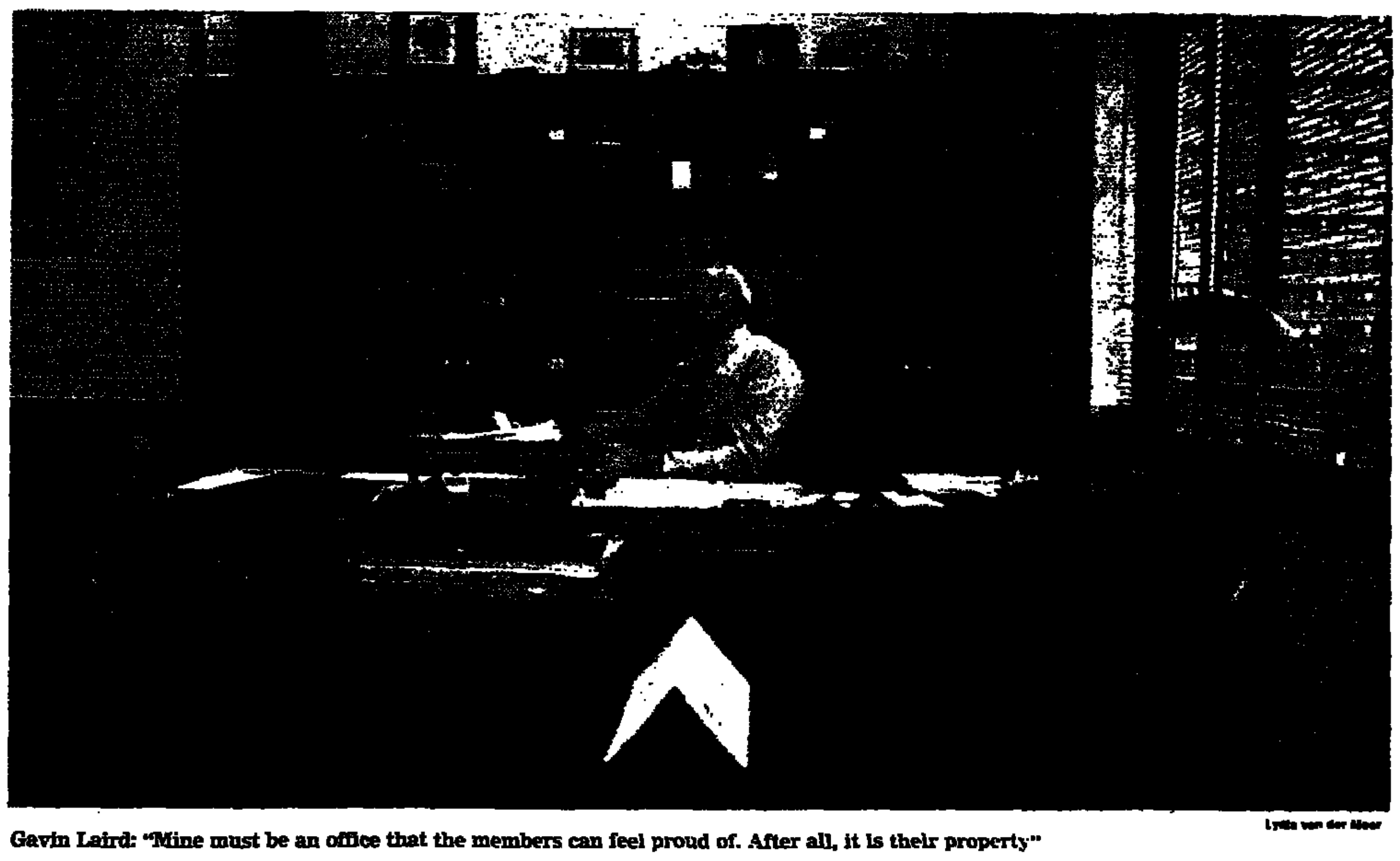
Outside sit his secretary and PA, of whom he is both complimentary and demanding. A tray of coffee is brought in, but Laird objects: "I'm getting a cup! I never have a cup. I'd have preferred a mug". Evidently this is no joke. A few minutes later his PA returns bearing a mug of coffee.

When not making coffee, the secretary and PA spend their time sorting through the several hundred letters Laird receives every day, bringing in the bundles that need his attention. "Let's look" he says, turning to one of the seven plastic trays on his desk.

"This is a letter of complaint from a district where we are closing an office and they don't like it . . . A consultant wants to give us something for nothing – which would cost us a fortune . . . A trade union wants to see me about redundancies . . . Leicester Business School would like to know our views on industrial relations . . ."

He skims through the pile efficiently. Despite his insistance on bringing the old organisation up to date. Laird himself relies on more old fashioned methods. He used to have a computer in his room but says he was "too stupid to be able to use it".

Much of his time is spent a long way from his office. Seven weeks a year he is at conferences, and at least once a month he visits a factory, the further from London the better. But his primary job is back in Peckham where he is struggling with the curious target of making himself redundant. "My aim is to make this organisation systematic, so that the day I get knocked down by a bus, it does not matter."



Gavin Laird: "Mine must be an office that the members can feel proud of. After all, it is their property"

Lydia van der Meer

Time comes to mind corporate Ps and Qs

Andrew Jack reports that an increasing number of British companies is introducing ethical codes

The idea of ethics in business might raise wry smiles from *sceptics, but a growing number* of companies is embracing the idea – at least on paper.

A survey* of 164 leading British companies published earlier this week showed that 29 per cent had a written ethical code last year, compared with 18 per cent in 1987.

The codes tend to cover areas such as obligations to employees, customers and shareholders, and responsibilities to suppliers and the community.

The Co-operative Bank courted publicity with its announcement this month that it would not do business with organisations involved in a series of activities.

Many companies have been quietly developing policies over a number of years, including Esso, sponsor of the report, which has had an ethical code since 1977. In the US, by contrast, one study last year suggested that 84 per cent of companies have written codes.

Stanley Kiaer, director of the Institute of Business Ethics, a corporate think-tank which produced the British survey, argues there are at least three reasons why ethical codes are becoming more widespread in Britain.

Companies are recognising the need to be seen by their shareholders to be ethical; they are responding to pressure from graduate recruits who are eager to discover a prospective employer's attitudes; and also to peer pressure from competitors, as a growing number embrace ethical policies. "I think good practice always advances by a mixture of altruism and self-interest," Kiaer says. "But if it results in a more ethical stance, the motive doesn't matter."

What is of more concern, however, is how seriously companies really take these issues. Without a deep-seated commitment beyond self-interest, what is the likelihood that they will abandon the ethical bandwagon as a new fad emerges?

Unless the policies are spelt out in some depth, with a clear strategy for ensuring they are implemented and enforced, they may be all but useless.

John Drummond, director of Integrity Works, part of Communication Works, a London-based consultancy, argues that the "de-layering" of modern organisations and the greater delegation of decision-making means that many more employees are being confronted by ethical choices than ever before.

Yet the survey found that only about two-thirds of the British companies with a code went into sufficient detail on policies, examples and action to be taken to make them achievable. Only a very small number demonstrated any means of evaluating how effective their policies were in practice.

Lord Laing, president of the Institute, launched a code as chairman of United Biscuits in 1987. He made it a requirement that the company's auditors informed the board if they detected anything which infringed the ethical policy. But that is a rare exception.

British subsidiaries of North American companies tend to take the subject most seriously. Unisys, for example, has a full-time corporate ethics officer with a small staff, responsible for monitoring and enforcement, and a widespread training programme.

Each year, all managers and staff involved in buying or selling are asked to sign a pledge that they have honoured the ethical code, and to disclose any breaches. There is also an ethical hotline for all employees.

Even with these precautions, Chris Cherkas, director of human resources for Unisys in the UK, concedes: "It's very difficult to say what an ethical code of practice has prevented. But its existence may have stopped things happening."

Ronald Berenbeim of the Conference Board, a New York-based business research service, who has researched business ethics in the US over a number of years, says there are at least three steps to developing an effective corporate ethical policy.

- *The drafting of the code should* be participatory, including all levels of employees in discussions to gain an understanding the corporate culture and values.
- Everyone should receive a copy of the code and be involved in discussions on its meaning and implementation.
- Any breaches in the code should be reported and discussed internally, so that staff are aware that it is, as he says, "a living document".

Given that organisations and values constantly change, Berenbeim then adds a fourth point.

- "When all that is done after about three years," he says, "companies should probably start the process all over again".

**Business ethics and company codes. £15. Institute of Business Ethics, 12 Palace St, London SW1E 5JA*

TECHNOLOGY

Pick of the designer crop

Victoria Griffith explains why genetically altered food will taste better than the real thing

The US biotechnology industry is moving closer to overcoming the regulatory barriers that keep its products off supermarket shelves.

The Department of Agriculture has said it should be ready to publish over the next few weeks a new set of guidelines for genetically engineered food, one of the biggest areas of biotech research.

Designer food – which is created by altering the genetic structure of fruits and vegetables – has long been talked about, but the technology is no longer a futuristic dream. Some companies have already developed marketable goods, and say they are just waiting for federal approval to launch their products.

The Bush administration took a step towards setting up a regulatory framework in February this year, when it issued a set of ground rules for the biotech industry. The guidelines stressed that in order to block the development of such products, strong evidence of environmental harm would have to be presented.

"The most important thing about the document was that it seemed to support the idea of genetically engineered food," says Suzanne Shaw of Du Pont, which is one of several companies working on a new tomato. "It was seen as a green light for the industry."

If all goes according to plan, designer foods may become a familiar item at grocery stores. Boasting superiority in flavour, texture and durability, these products could change the way we eat.

Some of the foods which could soon grace our tables are better-tasting tomatoes and melons, unbruisable potatoes and natural margarines. The product likely to hit the market first is a new tomato made by Calgene of Davis, California, which could be on the shelves as early as next year.

The tomatoes, already being cultivated on farms in Florida, California and Mexico, have been genetically altered so that they no longer produce the rotting enzyme polygalacturonase. *That means the tomato* can stay on the vines longer, and vine-ripened tomatoes taste better. The technique also enables farmers to cultivate strongly flavoured varieties which they would usually ignore because of excessive softness.

ICI, the UK chemicals group, is also carrying out large-scale field trials in the US of a non-rotting tomato. If all goes well, this will reach the market in 1994-95, says Keith Pike, public affairs manager for ICI Seeds. "Beyond that we have a follow-on programme, using other genetic constructs in the tomato which appear to influence spoilage and flavour."

Pike says ICI is also working on several other fruit and vegetables. "We believe we have the widest and deepest programme of anyone," he says.

With the regulatory issues closer to being resolved, companies are investing huge amounts of money into the development of designer food. "As the regulatory structure becomes clearer, companies are getting more excited about it," says Shaw. "And there are a lot of good things for consumers which will come out of this."

Tomatoes should be the first 'designer' food to reach supermarkets

The potential market for these products is huge. The potato business in the US alone is worth about $1.7bn, according to Geoff Keyes, head of business development at Monsanto.

The company is trying to develop a potato which would have more carbohydrates and less water. "That would mean using less oil in the cooking process for fries and chips," explains Keyes. "Now, you have to use oil to remove the water from potatoes." The result should be lower-fat potato products.

Calgene believes it can earn $500m a year with its new tomato. According to Roger Salquist, the group's chairman and chief executive officer, a patent on the product will guarantee the group a large portion of the $3.5bn he estimates bio-engineered food will generate annually by the end of the decade.

The company believes that sort of revenue potential will more than justify its expenditures in the area. "We've sunk $175m into bio-engineered food over the last few years," says Salquist. "But we don't consider that a very high figure. We put $20m into research on the *tomato, and when you consider that* we may bring in $500m a year on that product alone, the investment has been very small."

Calgene is also developing other products, such as cooking oils which would contain no saturated fats. That market, according to Salquist, will be even more profitable than tomatoes, with a $700m a year revenue potential.

The US Department of Agriculture is getting in on the act, too. In California, the USDA has put William Belknap in charge of a programme to develop a potato which would not be susceptible to black spot bruises. Belknap believes that the technology could save the industry $100m in annual losses. Efforts are also under way to make soya beans, maize and other products immune to disease.

But people in the industry say that consumers should not expect supermarkets to fill up immediately with designer products. "Only a few foods are ready to be marketed," says Belknap.

"It's not easy to get the effect you want. We have to test our potatoes in the fields before we can be sure that it's a viable product. Because spring only comes once a year, that's a slow process."

Holograms in a new light

Somewhere in Britain a man has removed the security hologram from his credit card and replaced it with a three-dimensional image of Bugs Bunny. In the two years since he made the exchange, retailers and shop assistants have chortled, but none has ever questioned the validity of the holographic rabbit.

The exercise, to demonstrate how ineffective holograms are as a security measure, also shows how widely they have become accepted by consumers.

Holograms are made of light-sensitive plastic film that reflects and transmits light in different ways. They appear on bonds, currency and drivers' licences, as well as on video recordings and pharmaceutical packaging.

But some applications offer greater benefits for industry. At a recent seminar on advances in the manufacture of holographic materials at Loughborough University, a British Gas researcher expressed interest in capturing transient events, such as laboratory explosions, on holograms.

Unlike the wire-frame models of car bodies commonly modelled on computers, explosions and shocks to the flow of gas through a pipeline cannot be captured in this way. Holograms will allow them to be reproduced, analysed and measured in controlled conditions.

Holograms can also be made like semi-silvered mirrors, reflecting images and data from a hidden instrument panel, but remaining transparent. Japanese car manufacturers are among many investigating the possibility of using a pop-up holographic screen in front of the driver to highlight dashboard data such as speed and petrol consumption. Other research is aimed at projecting the data or maps on the inside of the curved windscreen.

A similar technique could be used to provide instrument panels in aircraft. British Aerospace, GEC Avionics and Crosfield Electronics have all expressed interest in the use of holograms for instrumentation such as altimeters, for example.

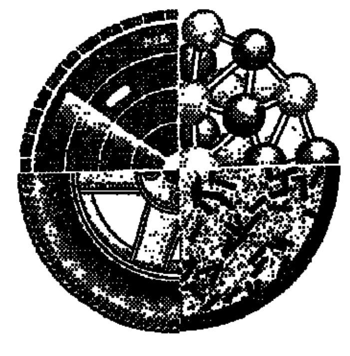
The most significant step forward in holographic research, however, will come when moving holograms can be displayed; television screens offer potentially the most demanding application. Sharp Electronics and Loughborough University are among many organisations working on three-dimensional television.

One idea is to create an array of tiny holographic lenses in the photosensitive screen. These, using two television projectors behind the screen, will give the illusion of depth by creating a moving stereoscopic image. Initially, however, special glasses will need to be worn by the viewer.

True three-dimensional television, or holograms in real time and not just in instrumental panels, are still years away, says Jeremy Coupland, co-ordinator for the Institute of Optical Engineering at Loughborough University of Technology. For the immediate future, it seems the only practical use for holograms is likely to be on credit cards. Keep an eye out for Bugs Bunny.

Steven Sonsino

Worth Watching · Paul Taylor



Laying cable was never so easy

Installing or moving video-based applications like dealer board systems in financial services companies is prohibitively expensive.

Now Amulet, an Exeter-based company, has developed an adapter which allows video systems to be run over high-quality telephone cable. Under a marketing agreement with Amulet the new system is available from Case Cabling, a subsidiary of network specialists Dowty Communications.

The video adapter requires no external power supply and simply plugs into the video monitors at one end. The system provides a brighter and sharper picture than the traditional triax cable over long distances.

The cost savings lie in the initial installation and in the reduced price of subsequent moves or changes. Alterations to the system are a matter of "plug and patch", completed in minutes without skilled staff or any cable laying. Case Cabling: UK, 0628 810818.

Binoculars marvel at the landscape

In the past 90 years the design of binoculars has changed very little; but their use has sometimes been limited by the narrow field of view which makes it difficult to find or follow fast-moving objects.

Mike Freeman, who heads Optics and Vision, a consultancy company based in Denbigh, Wales, believes he has found a solution with a new design of binocular which gives a wide field of view – more than twice that of standard binoculars – and up to 12 times magnification.

The breakthrough was achieved using a curved mirror system to fold the light path and correctly position the image. This replaces glass prisms which are much heavier and expensive to produce. Optics and Vision: UK, 0745 815935.

Removing lead from the recipe

Ingredients usually found in indigestion tablets have helped Cookson Group, the international materials company, to launch an advanced range of unleaded glazes and colours specifically aimed at the tableware industry.

In California every piece of crockery made with traditional lead glazes and colours has to carry a health warning. "What we have done is to find a substitute for lead and therefore secure the market for the future," said Cecil Hancock, managing director of Cookson Ceramics.

The new glazes and colours, devised by a team of ceramists, chemists and physicists, are based on bismuth and alkaline borosilicates. They come in either liquid or powder form and look identical to their leaded counterparts. Cookson Ceramics: UK, 0782 599111.

Processed shark fin on the menu

No gourmet Chinese dinner is complete without a dish of shark's fin. But preparing the delicacy is a long, tedious and labour-intensive task.

Traditional preparation takes many hours and involves soaking the shark's fin several times before removing the scales and sand with a knife. After that the shark's fin is deboned and the prized stringy ligaments are removed ready for cooking.

Neils Elvig, a technical service manager with Novo Nordisk, the Danish pharmaceuticals and enzymes group, stumbled across the problem a year ago during his chats with local businessmen and began to experiment in the company's laboratory.

He discovered that shark's fin could be scaled in a shorter time with less effort if it was soaked in a proteolytic enzyme called Neutrase. The procedure is simple, effective and hygienic. Despite initial hesitancy, processed shark's fin has found growing acceptance from top chefs in Malaysia. Novo Nordisk: Kuala Lumpur, 603 230 3267.

FT LAW REPORTS

Company can pay for diesel delivered before liquidation

DENNEY v JOHN HUDSON & CO LTD

Court of Appeal (Lord Justice Fox, Lord Justice Russell and Lord Justice Staughton): April 9 1992

PAYMENTS MADE in good faith by a company in the ordinary course of business after commencement of a compulsory winding-up in respect of supplies delivered before presentation of the winding-up petition, may be validated by the court if there is a possibility that they benefit the company and its unsecured creditors in that they ensure that further deliveries will be made by the supplier thus enabling the company to continue its business.

The Court of Appeal so held when dismissing an appeal by Mr L K Denney, liquidator of the company SA & D Wright Ltd, from the decision of Judge Davidson QC that payments made by the company to suppliers of diesel, John Hudson & Co Ltd, after presentation of a creditor's winding up-petition, were not void.

Section 522 of the Companies Act 1985 (re-enacted in section 127 of the Insolvency Act 1986) provides: "In a winding-up by the court, any disposition of the company's property... made after the commencement of the winding-up, unless the court otherwise orders, is void."

LORD JUSTICE FOX said the company carried on business as a haulier. Hudsons was a supplier of fuel oils.

In early spring 1984, Hudsons became concerned about the company's payment record. In May of that year, it put the company on terms that it must pay for previous deliveries before delivery of new supplies. That was applied in practice thereafter.

On June 27 1986, a petition for the compulsory winding-up of the company was presented by a creditor. At that time, the company owed Hudsons £17,132 under three invoices, numbers 437706, 437927 and 438233, dated June 2, 11 and 24 respectively.

On July 7, the company paid Hudsons £12,859, which settled invoices 437706 and 437927.

On July 10 the petition came to the notice of a director of the company, but it continued to trade.

On July 17, the company paid Hudsons £4,214 in settlement of invoice 438233.

On July 24, the petition was advertised in the Gazette.

Between July 27 and October 2, various invoices were delivered by Hudsons and sums paid by the company for fuel oil supplied.

On October 15, an order for the compulsory winding-up of the company was made. On December 17, the liquidator was appointed.

On May 19 1989, the liquidator applied for a declaration that the payments of £12,859 and £4,214 made on July 7 and 17, constituted "dispositions of the company's property" which were void under section 522 of the Companies Act 1985.

Judge Davidson QC made an order that the two payments be not avoided. The liquidator now appealed.

In *Re Grays Inn Construction [1980] 1 WLR 711* the following propositions were approved:

(1) The court's discretion under section 522 was entirely at large, subject to the general principles which applied to any kind of discretion and also to the limitation that it be exercised in the context of the statute's liquidation provisions.

(2) The basic principle of law governing liquidation of insolvent estates was that assets would be distributed *pari passu* [in equal proportion] among unsecured creditors as at date of bankruptcy.

(3) There were occasions, however, when it might be beneficial not only for the company but also for unsecured creditors, that it should be able to dispose of some of its property after the petition had been presented, but before the winding-up order was made. Thus, it might sometimes benefit a company and creditors that it should be able to continue business in its ordinary course.

(4) In considering whether to make a validating order, the court must always do its best to ensure that the interest of unsecured creditors would not be prejudiced.

(5) The desirability of the company's being enabled to carry on its business was often speculative. In each case, the court must carry out a balancing exercise.

(6) The court should not validate any transaction which might result in pre-liquidation creditors being paid in full at the expense of other creditors, in the absence of special circumstances. If, for example, it were in the interests of the creditors generally that the business should be carried on and that could only be done by paying for goods supplied to the company when the petition was presented but not yet paid for, the court might exercise its discretion to validate payment for those goods.

(7) A disposition carried out in good faith in the ordinary course of business at a time when the parties were unaware that a petition had been presented would usually be validated unless there was ground for thinking the transaction might involve an attempt to prefer the disponee.

(8) Despite the strength of the principle of securing *pari passu* distribution, it had no application to post-liquidation creditors – for example, the sale of an asset at full market value after presentation of the petition. That was because such a transaction involved no dissipation of the company's assets for it did not reduce the value of its assets.

There was no reason to doubt that Hudsons was acting in good faith and in the ordinary course of business established between it and the company as to payments for and supply of fuel oils. Nor was there any reason to suppose that the company was seeking to prefer Hudsons over the other creditors when it made the payments in question.

The court accepted that the parties acted in good faith.

The essential questions were whether the parties were acting in the ordinary course of business; and whether the relevant transactions were likely to be for the benefit of the creditors generally.

The parties were acting in accordance with their normal and established course of business.

As to whether the transactions were likely to benefit the general body of creditors, although the two payments were in respect of pre-liquidation debts, they were not payments for which the company got no *quid pro quo*.

Under the standing arrangement introduced in 1984, the company received the further benefit that it could then order a further supply of fuel oil – payment being deferred until the next supply was required.

Thus it was not a situation in which one pre-liquidation creditor was preferred to the others. The oil bought seemed to have been of much the same value as the amount paid.

The effect of the payments was that the company ordered a supply of diesel. Without the diesel, the company could not continue in business. It was possible that continuance of the business was not a benefit to the company. But there was no evidence of that.

The reality was that the parties acted in good faith in the ordinary course of their established business relations and the company obtained a benefit from the payment, namely the capacity to give a further order which would enable it to continue its business.

The benefit in the present case was not the supply of goods purchased pre-liquidation. It was the fact that the payment for those goods would enable the company to order further supplies at once and pay later.

The supplies would enable the business to be carried on and earn revenue.

What the payments secured were further supplies. The company was continuing to trade and one could only assume that it would necessarily require such supplies for the business. There was no evidence to the contrary. In a situation like the present one, one could reasonably assume that what was for the benefit of the company would be for the benefit of the general body of creditors.

The judge was exercising a discretion. It was a wide one. There was no basis for interfering with his decision.

The appeal was dismissed. Their Lordships concurred.

Rachel Davies

Barrister

PEOPLE

A regional view of entrepreneurs

Despite its long-term interest in small business, the Confederation of British Industry is probably regarded by most outsiders as the mouthpiece for Britain's large companies.

But this perception may be about to change with the appointment of Liz Amos, currently in charge of membership promotion, to head up the CBI's membership directorate with responsibility for small firms and the regions.

The combination of these three areas in one job should mean Amos is well placed to give a boost to the CBI's recruitment of small business *owner-managers in the regions.*

Despite the "downsizing" of British industry over the past decade, only 60 per cent of the CBI's members are small firms (employing fewer than 200 people) compared with their 97 per cent share of all UK businesses by number.

Amos, 40, who joined the CBI in 1979 as speechwriter to the then director general Sir John Methven, may also adopt a slightly higher profile than her predecessor, Sonia Elkin.

Elkin headed the smaller firms and regions directorate for nine years but without responsibility for the membership portfolio.

Prime responsibility for putting the confederation's views on small firms to the outside world will still rest with Richard Brucciani, the recently appointed chairman of its Smaller Firms Council. But if it serves members' interests, Amos says she is prepared to speak up.

A history graduate from Bristol University, Amos is particularly keen to press the interests of British business in the European Community; to promote the CBI's new-found enthusiasm for family businesses; and to strengthen the enterprise activities of the Training and Enterprise Councils.

PEPping up the Trio trust

At 45, David Hagan, chartered accountant turned money broker, is still waiting to break into the big league. Having set up Tullett & Tokyo Equities and tried and failed to buy Exco, one of the world's biggest money brokers, he has now re-emerged as full-time chairman of Trio, a small and unsuccessful investment trust.

Hagan, who has paid £225,000 for a 12.5 per cent stake in Trio, has been given the job of trying to inject some life into a trust which was brought to the stock market 16 months ago at 50p per share by Raphael Zorn.

It was intended to be a specialist trust appealing to investors with personal equity plans. But the rules were changed; the trust lost its original sense of purpose and is trading at a substantial discount to its £2m of net assets.

English Trust, which has a substantial stake in Trio and is the company's financial adviser, has given Hagan the job of coming up with some new ideas. Hagan, who will be executive chairman, says that he has been given a "very broad brief". He refused to speculate on his options, but the company's flexibility would be enhanced if it gave up its investment trust status. In order to ensure that Hagan has "an adequate interest in the company's future", Hagan will be granted substantial share options subject to shareholder approval.

Lord Tryon and Alan Arscott have resigned as directors, and Peter Glossop, Christopher Moore and Christopher Spence remain as directors.

■ Robert Henderson, former chairman of Kleinwort Benson, has stepped down as deputy chairman of CADBURY SCHWEPPES at the age of 74. He has been on the board since 1977 and deputy chairman since 1984. In the course of his career at KB he had been instrumental in the merger of Cadbury and Schweppes back in 1969.

The new deputy chairman is 61-year-old Tom Hutchison, on the board since 1986. A director of ICI from 1985 to 1991, he is deputy governor of the Bank of Scotland, and a non-executive director of The Hammerson Group and AMP Asset Management.

■ Clive Stones has been appointed director of economic regulation at YORKSHIRE WATER SERVICES.

■ William Rollason has been appointed finance director of MARLING INDUSTRIES; he joins from Hambros.

■ Keith Clarke, former md of Budgens, has been appointed trading director of SPAR (UK) and SPAR FOOD DISTRIBUTORS.

■ Neil Quinn is appointed md of Apollo Fire Detectors, a subsidiary of HALMA. David Clements has been promoted to production director of MEMCO, a subsidiary of Halma security division.

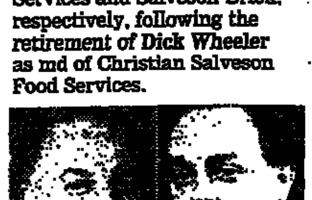
■ John Aumonier, md of Allied Radio, is to become md of VIRGIN COMMUNICATIONS and TV-am's national rock radio station, when he will become a non-executive director of Allied Radio.

■ Peter Wright, md of Spottiswoode Printers, is appointed to the board of its parent SERIF COWELLS.

■ Ian Foster is appointed sales director – national sales of HERTZ UK.

■ Howard Coates, deputy chairman of BZW Equities, is to become a partner of MAKINSON COWELL.

■ Paul Redfern, previously md of Salvesen Brick, and Brian Kiely, previously finance director of Salvesen Brick, have been promoted to md of CHRISTIAN SALVESON Food Services and Salveson Brick, respectively, following the retirement of Dick Wheeler as md of Christian Salveson Food Services.

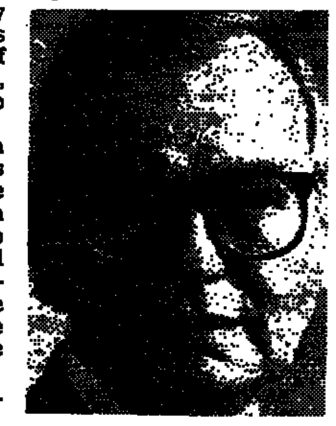


■ Raymond Cowie (above left) and Kerry Simmonds (above right) have been promoted to the board of BPS OFFSHORE SERVICES, a BET company.

■ GRAMPIAN HOLDINGS announces that, following the restructuring of its subsidiary Patrick International and the disposal of Mitre Sports, Patrick's chief executive Richard Mamez is leaving to become chief executive of Look, and Nigel Penny, chief executive of Grampian Sports, has resigned. Dominique Rochard, director and general secretary, Philippe Reed, sales and marketing director, and Charles-Patrick Beneteau, director Patrick France, have been appointed to the management board of Patrick International.

■ John Clarke, chairman of Silentnight's beds division, is appointed deputy chairman of SILENTNIGHT HOLDINGS.

McMahon joins DC Gardner



DC GARDNER GROUP, the training and outplacement company, yesterday completed a fundamental restructuring of its businesses and senior management with the appointment of Tim Inglefield as group finance director and Sir Kit McMahon (above) as a non-executive director.

Sir Kit, currently a director of Taylor Woodrow and Pentos, is the former chairman of Midland Bank and a former director of Eurotunnel and Hongkong & Shanghai Banking Corporation. He has long taken an interest in financial training.

Inglefield, a former director of Lloyds merchant bank, joins the company from Genus Training, an information technology and software training consultancy.

The appointments come after months of work by Barry Topple, group chief executive appointed last year, which have led to the departure of all but one of the previous executive directors of the company.

At one stage last year DC Gardner had ten directors. Its current chairman is Stephen Johnson, and its other non-executive directors are David Rosebery and Peter Walker, the former secretary of state. Professor Edward Gardener has resigned.

"It is not particularly helpful to go back over our historical position," he says. "We now have a new management team in place and a sound financial base, with gearing reduced from 200 per cent to 40 per cent." There was a £1.9m restructuring provision and a £1.5m property write-down in last year's accounts to reflect the costs of these changes.

Opera/Max Loppert

The Coronation of Poppaea

Monteverdi's last opera, when performed as superbly as it is in the new Opera Factory production, becomes one of the most complex and disturbing of all artistic experiences. Its main themes are sexual infatuation and the abuse of state power, and the terrible links that can be forged between them. *Poppaea* is like Mozart's *Figaro* in the way it presents a complete spectrum of characters shaded by love and lust; but it is unlike that *folle journée* in that the good end unhappily and the bad happily – *and that, in the view of* the composer and his librettist Busenello, seems to be what Life means.

This pitiless tale of moral and emotional ambiguities told in a score of utmost grave beauty would seem to be native territory for David Freeman and his Factory hands. So it proves. The Queen Elizabeth Hall stage, designed by David Roger as an airy, marbled-tinted stepped arena with two small instrumental bands disposed on either side, offers an acting space of ideal intimacy – with different areas colonised at different times, the total made grander than the sum of its parts.

The format of scenes, at once freely developing and strict in structural control, is permitted to build up its awesome intensity without any of the barriers normally placed between characters and audience in larger *Poppaea* theatres. The text is uncut, and faster-moving than most nipped and tucked ones; Anne Ridler's fine translation, uttered with unaffected clarity by the entire cast, provides the *motor power of the* staging – as in this opera the words always should but so often do not.

And Freeman's encouragement of all the ensemble virtues (which include performers in more than one role) promotes a cross-cutting between the opera's shared destinies that grapples the audience to their unfolding with iron hooks. The treatment of one scene seems questionable: the Nero-Lucan duet, here a dressing-up scene with the emperor in semi-drag and minions *throwing up into fruit-bowls. Historically* suggestive, no doubt, but the piercing irony of text would perhaps be better served by plainer means.

For the rest, though, the combination of fluidity, athletic movement and unfettered characterisation makes this a sharper-pointed, more multi-faceted *Poppaea* than any I have previously encountered. The tension pulled between the three female leads is alarmingly taut: *Marie Angel* in the title role, horribly well-judged in her calculated sensuality, the fast-vibrato-laden tone-colour applied with pinpoint skill; *Janis Kelly as Octavia,* magnificently aristocratic in bearing and declamation; and the attractively bright-toned Sally Ann Shepherdson as Drusilla, *who rises to her test of loyalty* (violently staged by Freeman) with fierce youthful passion.

The male-soprano leads are taken by male performers, and sung an octave below pitch: common 20th-century practice, which normally fogs up the vocal lines a great deal more than it does here – a tribute to the controlled spontaneity and fleetness of the singing and its accompaniment under Peter Robinson's direction. Nigel Robson's tenor Nero, pig-tailed, sexually ambiguous and quick to violence, is another horribly well-judged portrayal; Geoffrey Dolton's baritone Otho, the great romantic of the opera, pours out his agonies in ever more eloquent style.

The Seneca of Michael Neill, in spite of odd vowel-sounds, touches all the right depths. Howard Milner's high-tenor Nurse is both raucously funny *and genuinely tender,* though in the lullaby – how revealing that the opera's lyrical peak-point should be a hymn to sweet oblivion! – he inevitably misses an alto's full rich tonal flow. No *Poppaea* has everything; this one lacks the "animal" lustre that great voices finely used can shed on the drama. The qualities it does possess – dramatic conviction, musical directness, wholeness of viewpoint – are more than sufficient compensation.

Queen Elizabeth Hall: performances until May 12, then five more in June

Alastair Muir

Marie Angel and Nigel Robson

Theatre/Alastair Macaulay

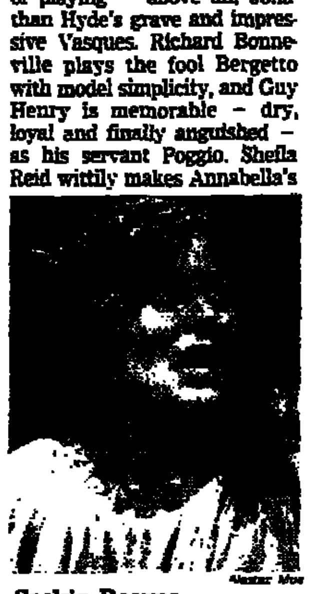
'Tis Pity She's a Whore

The strange thing about David Leveaux's staging of *'Tis Pity* for the Royal Shakespeare Company is that the central brother and sister are played as the least polished people in this Italian society. Even the ninny Bergetto has a certain public-school edge to him. But not so Giovanni and Annabella. Jonathan Cullen, first *seen in a coat whose sleeves* are too long for him, underplays Giovanni's academic flair and gives him, unlike anybody else, a Yorkshire accent. He (especially) and Saskia Reeves's Annabella have the worst posture onstage.

But all of this adds up to a kind of artlessness in them. Their hot incest (the axis of the plot) becomes not the depths of privileged decadence but a helpless continuation of nursery delights, a retreat from the demands of the sophisticated adult world. I cannot say that this is the correct reading of the play, but it is here propounded with considerable urgency. Since Leveaux and his original designer, Kenny Miller, have transposed the play, with minimal glamour, into the mid-twentieth century, it also gains new immediacy.

Which is heightened by the production's transfer from the Swan in Stratford to the Pit. Much is lost, since the Pit has not the Swan's recesses or over-stage balconies, of which this production made excellent use. But Rick Fisher's lighting gives certain scenes fresh force, and the production builds powerfully to the final horrid banquet. Not since the 1988-89 Deborah Warner Titus Andronicus has the Pit audience so shuddered.

The staging has several gems of playing – above all, Jonathan Hyde's grave and impressive Vasques. Richard Bonneville plays the fool Bergetto with model simplicity, and Guy Henry is memorable – dry, loyal and finally anguished – as his servant Poggio. Sheila Reid wittily makes Annabella's duenna Putana a salacious townmouse. Tim McInnerny, whom I find a wildly variable actor, is here at his best as Annabella's husband Soranzo, his nobility and passion wracking and then kindling him. The great scene between him, his new wife and Vasques is the highlight of the performance.



Alastair Muir

Saskia Reeves

Saskia Reeves is as natural an *Annabella* as we are likely to see: almost an Annabella-next-door. The plain sincerity of her playing becomes more and more touching. As Giovanni, Cullen is an odd amalgam. He can seem a seem a forlorn wimp, and then be lusty and intense. His voice wilts or whines and then finds a sterling firmness that drives all before it. I prefer my Jacobean tragedy to be in the high grand manner. But this account sticks in the mind.

In repertory at The Pit (071-638-8891)

Royal Ballet new season

The Royal Ballet is staging *Tales of Beatrix Potter* at Covent Garden next December. This is the first time that the work, choreographed by Frederick Ashton for a movie in 1971, has been performed live. Anthony Dowell, director of the Royal Ballet, has undertaken the adaptation which should prove a success for the company.

The other major ballets in the 1992-93 season are the British premiere of Baryshnikov's *Don Quixote* and a new one act ballet by David Bintley designed by Jasper Conran.

The Royal Ballet will dance Glen Tetley's *La Ronde* for the first time and there will be a new production of Balanchine's *Ballet Imperial.*

General director Jeremy Isaacs confirmed yesterday that Covent Garden will close in 1997 for large scale renovation work. It hopes to be a beneficiary of the Government's Millennium Fund and open its refurbished building in grand style to welcome the 21st century.

Antony Thorncroft

Brighton Festival/Ronald Crichton

Joan of Arc at the Stake

Honegger's dramatic oratorio *Joan of Arc at the Stake* was the idea of Ida Rubinstein, the mime, dancer and actress. She wanted Claudel to write the poem. His reaction was "Another *Joan of Arc*? No, I won't". But she received the text shortly afterwards. Honegger set to work, *apparently greatly stimulated.* Rubinstein intended *Joan* as part of a double bill with the scenic cantata *La Sagesse,* commissioned by her from Milhaud, and to perform them at the Paris Opéra. That institution, as so often, had cold feet. So *Joan* was first done in concert form, with Rubinstein, in German, at Basle in 1938. *La Sagesse* was not given until after the war. Since the centenaries of both Honegger and Milhaud fall this year a performance, at last, of the *double bill would have* been a bright feather in Brighton's cap.

Or perhaps not. Generous rehearsal time would be needed and there did not appear to have been enough of that for Sunday's concert performance of *Joan* in the Dome. The BBC Symphony Orchestra came down to joined the Festival Chorus. Since large forces are needed and the Dome platform is circumscribed, the chorus was split in two and placed at the opposite ends of the balcony. *I was near the* half with the men and the Christ's Hospital Junior Girls' Choir (very good).

It cannot have been easy for the conductor David Robertson to keep the two halves together. Maybe for those sitting dead centre (and for listeners to Radio 3) things may have sounded better. It was not only the choral ensemble that was rough. The picturesque touches with which Claudel larded his text made slight *impact. For much of* the time the orchestra leathered away between mezzoforte and fortissimo without light or shade.

There was a half-hearted attempt at semi-staging. A Cross was placed behind the trombones and fitfully illuminated. The women soloists were dressed in bright colours. *Joan, barefoot, wore a simple dark* dress. Fiona Shaw, Brighton's successor to Ida Rubinstein, Vera Zorina, Ingrid Bergman and other stars, has striking features almost as Gothic as Edith Sitwell and a voice admirable for conveying suffering and hope, capable holding its own with the BBC SO. Miss Shaw remained obediently at the conductor's side but looked as if she wanted to roam. Hence perhaps signs of physical tension. Among *the small parts tenor Neil Jenkins* as Porcus and actor John Woodvine as Brother Dominic stood out. In general Mr Robertson showed too little regard for his soloists.

Joan of Arc at the Stake continues to win a popular success only rivalled among works of this hybrid form by Orff's *Carmina burana.* It was given in Dennis Arundell's English translation in which one is not too conscious of that kind of French rhetoric which implies that *if you intone names like France,* Burgundy, Rheims or Domrémy often enough you have made a statement. Many find the emotional impact strong: for others what remains is little more than hot air and stale incense. Honegger was an able, attractive composer. The tapestry is skilfully woven: the build-up of the last scene and ending is impressive. Yet the final impression is of musical footnotes.

Sponsored by British Gas

Paris Galleries/Alice Rawsthorn

Bounty in contemporary spaces

At first glance Renn Espace looks like any contemporary art gallery off Boulevard St Germain in Paris, with *all* the requisite accessories: minimalist foyer, white walls and sunlight shafting through a glazed roof. Renn Espace is different. Unlike other contemporary art spaces in the city, it is neither commercial nor a state-supported institution. Instead it holds a series of exhibitions sponsored by Claude Berri, the film producer behind *Jean de Florette* and *Manon des Sources* and, for the past five years, one of Europe's most enthusiastic modern art collectors.

The Berri collection is composed of established 20th century artists like Cy Twombly, Yves Klein, Jean Dubuffet and Lucio Fontana. Claude Berri has leased an old print shop, next to his own Paris home on Rue de Lille, to stage shows based on the work of artists within his collection. The first of these is devoted to the American minimalist painter, Robert Ryman.

The show includes 50 of Ryman's "white paintings" and covers his career from the late 1950s when Ryman, who started out as a jazz musician, was first making his *name in the New York art scene, to* last year. Some of the paintings come from Berri's collection, although the giant Ryman abstract for which he paid a record – and very controversial – \$2m three years ago is still hidden away in his own home.

The logistics of Renn Espace with its wide spaces and shafting sunlight, are ideally suited to Ryman's work. The "white paintings", a series of austere white oils with *intricate surface detail and* barely discernible flecks of different colours, require very delicate display – and lots of natural light – to *show off the subtlety of* Ryman's treatment of surfaces and his colour contrasts. They also benefit from being shown *en masse* which makes it easier to appreciate the differences from canvas to canvas.

That said, it seems a shame that Claude Berri should have given over his gallery to so well-established an artist as Robert Ryman, who would have no difficulty in finding more conventional outlets. Indeed the Museum of Modern Art in New York and the Tate Gallery in London are already collaborating on a retrospective of his work. Renn Espace could use its special status to be more experimental in its choice of artists as the Saatchi Gallery in London.

Across the Seine is the new Ashley Bickerton show at Yvon Lambert in the Marais. This exhibition, part of the body of work first shown at Sonnabend in New York last autumn, is Bickerton's first one man show in Europe and marks his attempt to distance himself from the commodity art cliché that has haunted him since he first surfaced in the Manhattan art world, alongside Jeff Koons and Meyer Vaisman, in the mid-1980s.

When Bickerton first moved away from his early interest in consumption – the matt black sculptures emblazoned with fashion labels and art logos – he ventured into the newly fashionable field of the environment. At the time it looked suspiciously as though he had swapped one hip obsession for another. His new work seems much stronger in *that it combines the two themes by* exploring escapist fantasies of the tropics with images of the sort of desert islands which would not look out of place in 1970s' Bounty commercials, exotic liquor and equally exotic women.

Bickerton, who now spends part of each year in Indonesia, says the show is all about "sex, booze and escape, the things people look for in the Eden they will never find." In his sculptures he has mixed images of the indigenous tropics – native photographs, old fishing net, coconuts and bottles of local liquor – with the totems of tourism – high tech sub-aquatic kit, reels of film, a cowboy suit and symbols of the sex industry. The indigenous images are often imprisoned within the tourist paraphernalia so the show looks like a visual game of double-bluff illustrating how one man's fantasy can crush another's.

If Ashley Bickerton's work is about longing, however hopelessly, for escape, Suzanne Lafont's photographs at the Jeu de Paume act as an abrupt reminder of the angst-ridden reality his Bounty island-bound tourists want to escape from. The Jeu de Paume, the old Impressionist museum in the Tuileries Gardens, has already made its mark on the Paris arts scene since reopening last summer as the lynchpin of the ministry of culture's initiative to create more space for modern art in the city. The Lafont show is composed of four series of photographs – all anonymous portraits blown up into cinematic proportions in the style of stills from the films of the directors like Roberto Rossellini, Robert Bresson and Jean Luc Godard, who have influenced the artist.

'Le Bruit' by *Suzanne* Lafont at the Jeu de Paume

Lafont's subjects appear to be acting out their own modern horror stories. The victims of Le Bruit (The Noise) shrink visibly with terror, covering their eyes or ears in a futile attempt to hide. Les Souffleurs (The Blowers) are reduced to ridicule as they puff out their cheeks in a pathetic attempt to ward off whatever threatens them. The sheer size of the portraits *forces the eye to focus on* the subject's vulnerability, even on their tell-tale physical flaws, the frightened eyes and the weary wrinkles, in painful detail.

Robert Ryman at Renn Espace, 7 rue de Lille, 75007 Paris, until June 30. Ashley Bickerton at Yvon Lambert, 108 rue Vielle du Temple, 75003 Paris until May 12. Suzanne Lafont at Jeu de Paume, 20 rue Royale, 75008 Paris until May 24.

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Two great European ballet companies are to visit the United States in June and July. The Royal Danish Ballet will spend a week at the Orange County Performing Arts Center (June 9-14), before moving to the Kennedy Center in Washington (June 16-21). The repertory consists of items from the recent Bournonville Festival programme, including A Folk Tale, Napoli, La Sylphide and Flower Festival of Genzano.

The Kirov Ballet visits New York for a short season at the Metropolitan Opera House from June 22 to July 3. The St Petersburg company is presenting three full-length ballets, including the US premiere of the Lavrovsky Romeo and Juliet staged by the Kirov's artistic director Oleg Vinogradov.

There will also be new productions of Swan Lake and La Bayadère, plus works by Balanchine and Antony Tudor. Altynai Asylmuratova, Faroukh Ruzimatov and other Kirov stars will be joined by rising newcomers such as Igor Zelensky and Yulia Makhalina.

After the present New York City Ballet season, City Opera takes up residence in the New York State Theater for its 1992 season (July 16 till November 15). The five new productions are Carmen (staged by Jonathan Eaton), the New York stage premiere of Busoni's Doktor Faust (conducted by Christopher Keene and directed by Frank Corsaro), Blitzstein's Regina, the New York premiere of Janacek's The Excursions of Mr Broucek, and the 1963 Schmidt and Jones musical 110 in the Shade.

On May 19 the Canadian Opera Company gives the world premiere of Mario and the Magician, a new music theatre work by one of Canada's most prolific composers, Harry Somers. The three-act opera is based on a novella by Thomas Mann, about a German writer who recounts his family's bizarre experiences as tourists in Italy in the late 1920s. Richard Bradshaw conducts, Robert Carsen directs, with designs by Michael Levine. There will be six performances at the Elgin Theatre, Toronto.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum The Influence of Japan on Dutch Art: with the help of masterpieces of fine and applied art, the exhibition shows how Dutch artists have drawn inspiration from Japanese models from the 17th century to the present day. Ends July 26. *Closed Mon*

Van Gogh Museum Prints by 19th century Japanese artist Yoshitoshi. Ends June 28. Also Masters from the Mesdag Collection: 60 works from the Hague and Barbizon schools. Ends Aug 19. Daily

BERNE

Kunstmuseum Picasso: *Pink* Period 1905-6. More than 200 oil paintings, gouaches, pastel drawings, sketches, graphic *works and sculptures.* Picasso's tender poetical nudes and portraits of acrobats and harlequins are renowned for their rich ochre hues, with subjects that reveal his search for a classical ideal of beauty. Ends July 26. Closed Mon

CHICAGO

Art Institute *Patrick Tosani:* 34 photographs spanning the past ten years of the French artist's work. Enormous colour prints *(the smallest is three by five* feet) capture everyday objects – ice blocks and rain, bubbles from carpenter's levels, spoons *and ragged fingernails – and* transform them into remarkable images. Ends July 19. Daily

GENOA

Palazzo Reale and Palazzo Spinola di Pellicceria Genoese art of the Baroque age: 175 paintings, 25 graphic works, 30 *marble and wooden sculptures,* 25 ceramic pieces and ten pieces of silver, as well as furniture, textiles, medals and books. Palazzo Spinola shows material from the first half of the 17th century, while the latter half appears in the Palazzo *Reale. The exhibits come from* Italian and foreign museums, and private collections in Genoa and Liguria. Ends July 26

GRANADA

Alhambra Palace Art of Islamic Spain: a comprehensive view of Islamic art from the 8th to the 15th centuries, including *illuminated manuscripts,* metalwork, jewelry, ceramics, ivories, armour, textiles, carpets and architectural items. Ends June 7

LYON

Musée d'Art Contemporain Contemporary art from Poland: 700 works and more than 20 hours of video on loan from the Museum Sztuki in Lodz. Ends Sep 27

Musée des Beaux-Arts The *Golden Age of Painting in* Flanders and Holland: portraits and historical *scenes* by Rembrandt, Rubens, Van Dyck *and others. Ends July 12. Closed* Mon and Tues

MUNSTER

Landesmuseum German *degenerate sculptors 1900-45:* more than 80 sculptures by Otto Freundlich, Bernard Hoetger, Georg Kolbe and others who *suffered under the Nazis.* Ends May 31. Closed Mon

NEW YORK

Metropolitan Museum of Art Andrea Mantegna: 130 paintings, drawings and prints by one of the most influential masters of the Italian Renaissance. Ends July 12. William Harnett: 50 works by a late 19th century American master of still-life painting. Ends June 14. Helen *Levitt: photographs of New York* City from the 1930s to the present day. Ends June 28. Also Royal Art of Benin. Ends Sep 13. Closed Mon

Museum of Modern Art Antoni Tapies (b1923): more than 100 prints and illustrated books by the celebrated Catalan artist, *ranging* from the 1940s to the present. Ends Aug 9. Closed Wed

Whitney Museum of American Art Richard Prince (b1949), influential and sometimes controversial artist who originated re-photography. Ends July 12. Paul Strand: first major retrospective of the American photographer who died in 1976. Ends May 17. Closed Mon

PARIS

Grand Palais *The Vikings: a* long-necked boat, murderous two-edged swords and gold jewels are among 650 exhibits *retracing the history of the* warriors from the north. Ends July 12. Toulouse-Lautrec. Ends June 1. Closed Tues, late *opening Wed. Advance booking* on 4804 3886 (ave du General Eisenhower). Also Les Lautrec de Lautrec at the Bibliothèque Nationale (1 *rue Vivienne, 2e)* and other exhibits echoing Lautrec's world at the Musée d'Orsay. Ends May 31

Musée d'Art Moderne Sima (1891-1971): 200 works by the Czech painter. Ends June 21. Closed Mon, late closing on Wed (11 ave President Wilson)

Centre Pompidou Czech Cubism 1910-25: architecture, design, visual arts. Ends May 17. Closed *Tues (Galerie du CCI)*

Galerie Didier Imbert Henry Moore Intime: 500 works which formed the artist's home environment, none of which have been seen before in public. Ends July 24. Closed Sun (19 ave Matignon)

Musée D'Orsay Guimard *(1867-1942),* art nouveau designer. Ends July 26. Closed Mon

Louvre Clodion (1738-1814), French sculptor. Ends June 29. Closed Tues (Hall Napoleon)

STOCKHOLM

Nationalmuseum Drawings by Raphael: an exhibition based on the small but important Swedish national collection, augmented by 20 of the artist's most famous drawings, showing the tradition out of which Raphael's art developed and what he bequeathed to succeeding generations. Ends *June 8. Closed Mon*

Moderna Museet Kiki Smith: using sculpture, pictures and texts, she turns the body into *a mirror of larger phenomenon,* trying to clarify the boundaries between the personal and the general, between poetry and everyday *life.* Ends June 7. Closed Mon

TOKYO

National Museum of Western Art Australian art: 80 oil paintings and 50 watercolours illustrating 200 years of Australian painting from the earliest *colonial* art to contemporary Aboriginal work. Ends June 28

VENICE

Doge's Palace *Hieronymous* Bosch: an exhibition marking the restoration of the city's collection of Bosch paintings, including the Saint Liberata triptych, Paradise and The Assumption of the Blessed, plus works by Metsys and Flemish paintings by Dieric Bouts. Ends *Aug 10*

Fondazione Cini From Pisanello to Tiepolo: Venetian designs from the Fitzwilliam Museum in Cambridge. Ends June 14. Closed Mon

Palazzo Grassi Leonardo and Venice: drawings from Italian and foreign museums, exploring Leonardo's influence on painters of the Venetian Renaissance such as Giorgione, Titian and Bellini. Ends July 5

Museo Correr Canova sculptures and the Farsetti Collection from the Hermitage. Ends Sep 30

WASHINGTON

National Gallery of Art *Käthe* Kollwitz (1867-1945): 100 works by the German artist celebrated for the powerful social content *of her imagery (see also* companion exhibition at National Museum of Women in the Arts). Ends Aug 16. Also Ernst Ludwig *Kirchner: 40 works by the* German expressionist painter. Ends Aug 16. Daily

Arthur M Sackler Gallery *Masterpieces of Mesopotamian* Art from the Louvre: more than 30 objects. Ends Aug 9. Daily

FINANCIAL TIMES

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Friday May 8 1992

A breakdown of consensus

YESTERDAY'S PAY deal for German public sector workers will succeed in putting the western half of the country back to work after 11 days of strike action. But it is bad news for Chancellor Helmut Kohl, bad news for Germany and bad news for Europe.

At a time when Germany needs to tighten belts to cope with the immense unsolved challenges of unification, the public sector is leading the way towards wage rises which the country cannot afford. Mr Kohl belatedly pushed through tax increases last year to keep down sharply rising budget deficits. These are now effectively being offset by increases in the public sector wage bill.

After yesterday's agreement for a 5.4 per cent pay rise, plus individual one-off payments, the well-organised and well-financed ÖTV public sector union is congratulating itself on a notable victory. It is likely to be pyrrhic. By hardening the Bundesbank's determination to force down inflation from its present level of 4.5 per cent, yesterday's outcome is likely to maintain German interest rates at their current high levels for many months. The central bank failed to take action at its council meeting yesterday. But a further increase in its official lending rates now looks a possibility.

This would bring fresh pain not only to the German economy, but to the rest of Europe. In spite of an unseasonal growth spurt at the beginning of the year, signs of sluggishness in the German economy are increasing. Further tightening by the Bundesbank would turn a slowdown into recession.

For Mr Kohl, the political effects may be still more sobering. For the second year in succession, the government has failed to persuade German workers to accept lower wage rises in the interest of their country's longer-term financial health. The government is allowing through a deal which is barely distinguishable from the arbitration proposal it rejected last month as being unacceptably high. The cuts in spending and subsidies outlined on Tuesday by Mr Theo Waigel, the finance minister, are now more urgent than ever. Mr Kohl seems unlikely to summon the necessary authority to push these measures through. West Germany's system of consensus between wage-earners and employers was a pivotal factor behind the stability and prosperity which made unification possible 19 months ago. Just when Germany needs it most, the system looks to be breaking down. Germany has very few options to replace it with anything better, and time to find solutions is running out.

Merger control

THE EUROPEAN Commission's decision in principle to vet the Hongkong and Shanghai Banking Corporation's (HSBC) bid for Midland, while leaving UK authorities free to deal with Lloyds Bank's rival offer, breaks new ground in merger regulation by splitting jurisdiction over the outcome of an important takeover battle.

The immediate casualty looks like Lloyds, which has said its bid may lapse unless its offer and that of HSBC are examined in the UK. For that to happen, Mr Michael Heseltine, the trade and industry secretary, may now need to persuade Brussels that compelling national interest requires the HSBC offer to be reviewed in London. Since the Bank of England has already ruled that the bid does not raise problems of prudential security, there is no apparent case for ministerial intervention.

At this stage, Brussels has taken on the task of determining whether the HSBC bid raises competition issues. In the relatively unlikely event that it determined this to be the case, it would be desirable for these questions to be explored by a single regulatory authority or at the very least by the two authorities acting in close co-operation. If no competition problem is judged to exist, the Hongkong bid can and should be allowed to proceed. Meanwhile, it is sensible that the Lloyds' bid, which bears entirely on the UK market, be dealt with in London.

Dividing lines

All of this, however, has exposed again the risk of jurisdictional conflicts and "double jeopardy" which has existed since the EC first sought expanded control over mergers. The risk has grown as more European countries have introduced merger controls of their own. Neater dividing lines between EC and national competence would be desirable – but hard to achieve in practice. Alternatively, Brussels' merger "thresholds" could be lowered to catch more deals. That, however, could simply create further jurisdictional problems, since even after 1992 many deals will raise purely national competition issues.

The sensible solution is closer co-operation and convergence between EC and national merger authorities. The time limits for completing merger investigations should be harmonised, since variations create damaging uncertainties and distortions. But harmonisation is most crucial in the criteria used to assess mergers, since it is here that divergence will create the biggest problems. The case for basing judgments exclusively on competition issues is overwhelming. While regulators can invoke vague "public interest" criteria at will, predictability, consistency and fairness across the EC will suffer.

Less impartial

Sir Leon Brittan, the EC competition commissioner, has adhered unswervingly to that principle. However, he has to argue each case before 16 colleagues, many of whom have proved less impartial in their views. Sir Leon's successors may not be so strong-minded or persuasive. The best safeguard against political meddling is to establish an independent EC cartel office, answerable to the courts, and to ensure that commissioners could reverse its rulings only in exceptional circumstances.

Mr Heseltine, meanwhile, is thought to favour loosening the 1984 Tebbit doctrine on mergers to give more weight to "national interest" factors. At the very least, any relaxation should not change the MMC's current criteria, but should provide simply for the rare and limited exercise of ministerial discretion, preferably with specific accountability to parliament.

Even with such restrictions, there would be a risk of arbitrary and unpredictable judgments, favouring special interest groups with the most powerful Whitehall lobbyists. If Mr Heseltine really wants to create a stable environment in which the whole of industry can flourish, and not just pander to those sections best placed to bend his ear, he should resist the temptation to tinker with merger rules. He should also avoid setting any precedents in the Midland affair which could damage the long-term interests of British business.

Ukraine's role

THE CURRENT visit to the US of Mr Leonid Kravchuk, the Ukrainian president, is an attempt to gain international respect. Up to now, Ukrainians feel they have been treated like little brothers to the Russians, patronised and told off when they annoy the adults. There is some justice in the grievance. Ukraine is a state the size of France with a population close to that of Britain. It has considerable agricultural potential and its industrial base is huge. Most urgently, it has large nuclear and conventional forces.

In the short term the international community will judge the Ukraine by the degree of responsibility it shows in dismantling this arsenal. In his talks in Washington Mr Kravchuk promised to remove most strategic weapons and to move tactical nuclear weapons to Russia for destruction. But his pledge to implement the Start agreement still leaves 46 strategic nuclear weapons in Ukraine and Mr Kravchuk wants to trade these for a US security guarantee. At a time when Russo-Ukrainian relations are worsening over a host of issues from the Black Sea fleet to Crimea, Russia would inevitably interpret this as a hostile act.

Ukraine originally offered to give up all its strategic weapons. That is what it should still do. If it wishes its legitimate security concerns to be shared with the west, it must develop a serious dialogue, not proclaim its intention to be nuclear-free one day and appear to change its mind the next. But both Russia and the west should then make clear in tangible ways their recognition of Ukraine's good sense and maturity. More broadly, Russia and Ukraine – as closely tied as the US and Canada – need to cast away the idea that future relations should be shadowed by a nuclear threat.

Ukraine is far too important, and the issues surrounding it too dangerous, to be any longer patronised and downgraded. It deserves the respect it wishes – so long as that respect is mutual.

America's poor are very different

Michael Prowse on competing visions

The rioting in Los Angeles last week was some of the worst in US history. Pessimists will assume that little has changed since the late 1960s: the inner cities are as poverty stricken as ever while blacks and other minorities still endure racial discrimination.

Yet this may convey too bleak a picture. By most indicators, overt racism in the US has declined in the past quarter-century; the reaction to the acquittal of the white policemen in the Rodney King case was so violent partly because the decision seemed so out of line with contemporary standards of racial justice. At the same time, a relatively prosperous black middle class has emerged: income and wealth differentials are now much greater within than between different racial groups.

Residual discrimination remains a fact of life, but the main problem is that a rising economic tide has not lifted all boats. In real terms, living standards have risen by about 80 per cent since President Lyndon Johnson launched his War on Poverty in the early 1960s. Yet the growing affluence of the suburbs has not spilled over into the inner-city ghettos.

Faced with these realities, many conservatives now argue that the US took a wrong turning in the 1960s. Although well-intentioned, the wave of publicly financed programmes for the poor – collectively known as the "Great Society" – contributed to the problems they were intended to solve by helping foster "a culture of dependency".

Such critics would add that, although the Reagan and Bush administrations gradually withdrew support from some Great Society programmes, they failed to throw their weight fully behind alternative reform agendas. The result is a lack of effective policies for tackling inner-city decay.

There are at least two competing visions of how to reform traditional welfare policies. The first are a set of Thatcherite doctrines proposed by the free market right; until Los Angeles these were only weakly supported by President George Bush. The most eloquent exponent of such ideas within the Bush cabinet is Mr Jack Kemp, the secretary for housing and urban development.

The US, he says, "must discard the failed bureaucratic model for fighting poverty and instead empower individuals to control their lives through the power of property ownership and entrepreneurship". His agenda for urban renewal includes items such as:

- The creation of "enterprise zones" by abolishing capital gains taxes for those who work, save and invest in inner cities;
- Measures to allow public housing tenants to manage and ultimately own their own homes;
- The abolition of welfare rules that encourage family break-up supported by incentives for families that stay together;
- A competitive strategy for improving inner-city education, involving free parental choice in the selection of schools.

Mr Kemp's ideas are attracting considerable support across the political spectrum. Many mayors like the sound of "enterprise zones" although few believe with Mr Kemp that the abolition of capital gains taxes "would flood the inner cities with capital". Relaxations on welfare recipients' ability to earn and save are also popular, although the high cost of raising these ceilings may not be appreciated.

The notion that government must do more to help families is the idea that resonates most powerfully. The very sharp rise in the proportion of families headed by single women, and of births out of wedlock, is widely seen as one of the core reasons for dysfunctional behaviour in the inner cities. The figures for blacks are particularly striking: some 56 per cent of families now have female heads while two-thirds of births are out of wedlock. More than half of young blacks would thus appear to lack effective father figures.

While sympathising with much of the Kemp agenda, other conservatives question the premises behind some of the policies. Free marketeers tend to assume that barriers are somehow preventing the poor from responding to the same economic signals as everybody else. Misquoting F Scott Fitzgerald, an alternative view is that the poor are different, not because they have less cash but because they have a different psychology. This school – known as the "new paternalists" – believes that welfare policies must be explicitly designed to mould behaviour.

Mr Lawrence Mead, a political scientist at New York University and author of The New Politics of Poverty, just published by Basic Books, is at the forefront of the movement. He argues that US society already offers big economic rewards for those willing to compete in labour markets. The main cause of poverty today is not lack of job opportunities, childcare or skills but the reluctance of increasing numbers of the poor to work.

In 1989, fewer than half of the heads of poor families had any earnings at all, a drop of a fifth in 30 years. At the height of the economic boom of the 1980s, he says, only 23 per cent of 16-19-year-olds in New York City were in the labour force – less than half the national rate. "The leading domestic issue has changed from how to raise wages and benefits for working people to how to turn more poor people into workers."

Mr Mead sees the poor mainly as "dutiful but defeated". He believes they mostly share the same values as the rest of society but are simply less in control of their lives. There is also a defeatist mentality at work that "refuses to believe that opportunity exists, even when it does". Economic incentives are not enough because the poor lack the competence to take advantage of them. Mr Mead believes the solution lies in more authoritarian policies: he strongly supports workfare and other mandatory programmes because they "get people involved and overcome their pessimism". Authority thus operates as "the midwife, not the antithesis, of freedom".

The 1988 Family Support Act did introduce elements of workfare. But the new paternalists want its provisions to be toughened and extended to cover a bigger fraction of the welfare population.

How do left-leaning liberals respond to the onslaught from conservatives? They start by emphasising that President Johnson's War on Poverty was hardly a failure. It reduced the poverty rate from 19 per cent in 1964 to 11 per cent in 1973. (The rate has since risen to 13.5 per cent.)

The Great Society also made big advances in healthcare, education and pensions, where more generous payments have largely eliminated poverty among the elderly.

Perhaps the most serious criticism is that too much of the cash was siphoned off by programmes that primarily benefited the middle classes. Targeted benefits for the poor, by contrast, have steadily declined. Since the early 1970s, for example, the real value of Aid for Families with Dependent Children (the main welfare programme for single mothers) has dropped 27 per cent; if foodstamps are included, the real cut in welfare benefits is about 40 per cent.

During the Reagan-Bush years federal government has also savagely cut support for cities, where the deadly cocktail of drugs, crime, broken families, unemployment and poverty does the greatest harm. According to the National League of Cities, direct federal aid has declined by more than 60 per cent since 1981.

Many on the left of centre also reject the conservative analysis of the causes of family breakdown and poverty. The idea that welfare policies have undermined families, for example, seems, at best, an exaggeration: big variations in state welfare benefits are not closely linked with marriage rates or the frequency of teenage pregnancies.

Mr William Julius Wilson, a black sociologist at the University of Chicago, sees the urban underclass as primarily the product of structural economic change, reinforced by greater social mobility. The plight of south central Los Angeles and other inner cities reflects:

- Global economic forces that have reduced the demand for and wages of US blue-collar workers. Young unskilled blacks do not form stable families because they cannot find jobs that will support wives and children or, indeed, themselves;
- Improved race relations which, ironically, have allowed professional blacks to emulate middle-class whites and migrate out of cities. The communities left behind lack both financial resources and role models; the vacuum has been filled by crime and drug dealing.

On this view, the priority ought to be intensive skills training to make the urban poor employable.

Mr Ronald Mincy, an economist at the Urban Institute in Washington, shares the view that "irreversible economic changes" have put a greater premium on scarce job skills. But, while not sympathising with the authoritarian approach of the new paternalists, he puts stress on behavioural factors. As a black he argues that attitudes within the black community must change.

He points out that of a list of 100 prominent blacks compiled by Ebony magazine only five or six had achieved recognition through entrepreneurship. Other ethnic groups, such as Asians and Koreans, did a great deal to create opportunities for their own people.

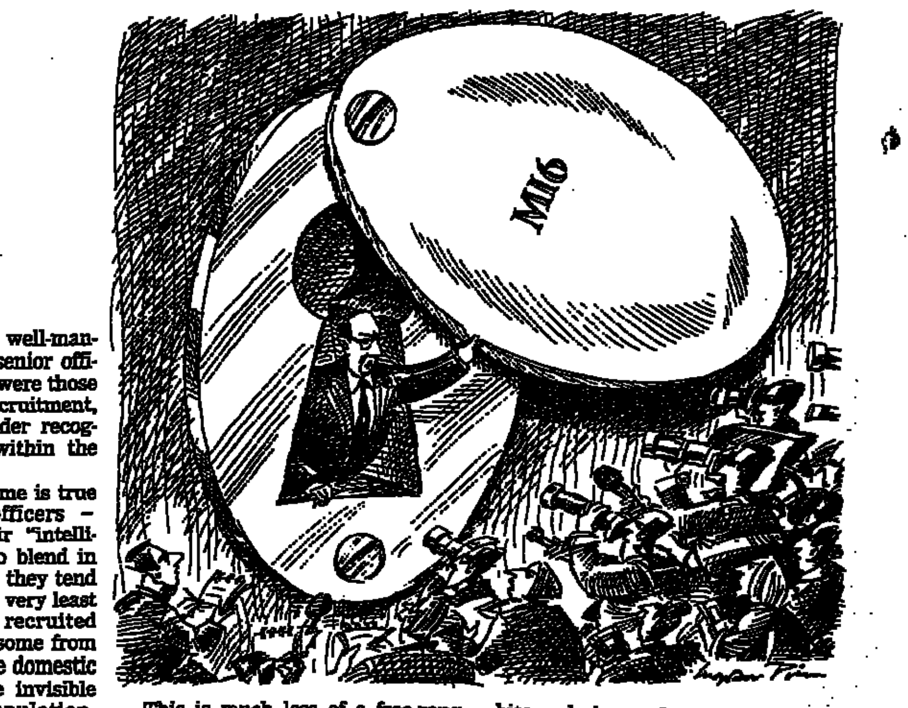
He also worries that extraordinarily high unemployment rates among young blacks reflect their contempt for menial jobs (which immigrants are willing to take) and their less than compliant behaviour. But the refusal to accept pay rates commensurate with their skill levels is exacting a heavy toll – evident in soaring crime and incarceration rates. "We are willing collaborators in our own destruction," he says, adding that this is a message only a black could deliver.

On the positive side, many self-help black groups are working to change attitudes among young blacks. In Oakland, California, for example, Mr Derek Wilson is project co-ordinator for the Hawk Federation, a manhood development project serving 60-80 blacks aged seven to 16. Mr Wilson says the programme aims to raise "competence, confidence and consciousness" by instilling moral values, encouraging pride in African culture, yet also cultivating the practical, entrepreneurial skills needed for success in the free market.

The most encouraging sign in the US is the plethora of ideas about how inner-city problems might be tackled – as well as the apparent success of some small-scale programmes. The biggest obstacle to progress in recent years has been White House indifference to the urban underclass. After Los Angeles, the prospects for a more constructive attitude must surely have brightened.

Joe Rogaly

Tinker, Tailor, Soldier, Mandarin



The truth about Britain's spies is duller than you could possibly imagine. That is why it is so startling. Bear with me a moment, and I'll explain. First it is necessary to establish that we are talking mainly about the Secret Intelligence Service, commonly referred to as MI6, and a little about the security service, or MI5. The former spies on foreigners, the latter on the domestic population.

Until 1987, the government hardly admitted the existence of either department. In 1989, a bill put through the house by Mr Douglas Hurd, then the home secretary, bestowed the dignity of a statutory existence upon MI5. It also provided what I believe are inadequate safeguards against abuse, which may occur when operatives are authorised to bug telephones or enter properties to steal documents. An independent judicial tribunal does hear complaints, but that is a wholly internal affair. It would be more reassuring to have some means whereby bell-ringers can be heard outside the charmed circle, such as by a parliamentary committee, or a panel of privy councillors.

A similar bill to be put through this year or next by Mr Hurd, now foreign secretary, will legalise MI6. The question of safeguards is yet to be publicly debated. The argument in favour of an external port of call for complainers is less compelling in this instance than with the domestic service. On top of that, a natural preference for consistency will doubtless weigh with Mr Hurd as a reason for copying large chunks of text from his earlier Secret Service act.

Against that, the political climate has changed. The 1988 bill was produced under the watchful eye of Mrs Margaret Thatcher. She did let slip in autumn 1987 that the SIS existed, and she did appoint Sir Philip Woodhead as an internal ombudsman to the two services, but her general approach was gung-ho: spies were something you did not mention. Mr John Major's administration is less childish. The appointment of Mrs Stella Rimington as the new head of MI5 was publicly announced well in advance of her arrival in her new office in February. On Wednesday, Mr Major told the world what only the uninterested did not already know: that Sir Colin McColl is head of MI6, with direct access to him on demand.

The startling truth is that spies are civil servants, operating as part of the everyday process of government

This announcement should be the deciding factor. If government is to be more open, as Mr Major has to his credit said it will be, there ought to be the maximum possible parliamentary scrutiny of every branch of the administration, including the secret services. For it is here that the startling truth about our spies comes in. At bottom they are civil servants, operating within Whitehall as part of the everyday process of government. When I visited MI5 some years ago, I was struck by how like any clutch of well-mannered civil servants the senior officers were. Their troubles were those of most departments: recruitment, promotions, a career ladder recognisably like any other within the government.

It turns out that the same is true of MI6. Their higher officers – those who work in their "intelligence branch" – have to blend in with the foreign office, so they tend to be upper-class or at the very least Oxbridge types, some recruited from the defence forces, some from the older universities. The domestic service, which has to be invisible within the general population, draws on a wider range of recruits. At the sharp end, most of MI6's work consists of managing people. They solicit information by being friendly and confidential or, *in extremis*, they buy it.

The joint intelligence committee (JIC) of the cabinet sets out what is required; the product, which is in the form of raw information, goes to the interested ministries (defence, the foreign office, the Treasury, the department of trade and industry and others according to need). It also goes to the cabinet office where an assessment staff sifts it, adds in publicly-known or other information, and produces judgments on the significance of what has come in. Most Whitehall officials are accustomed to appending the SIS to circulation lists at the top of their documents. Ministers may instruct their officials to find out "more about that". The private secretary will mumble assent, then ask the SIS or MI5 contact within that department to make the right telephone call to the right intelligence officer.

This is much less of a free-ranging system than pertains in the US, where the CIA and the State Department spies make their own assessments of the basic data. One result was a set of competing proposals on Nicaragua. In Britain, Whitehall rules constitute a restraint: when an MI6 informant told of the Iraqi supergun being made in English factories, the service could only pass the news along. It has no standing on domestic issues.

There was some concern about the future of the SIS when the Cold War ended, but the JIC has given it plenty of work to do. An entrepreneurial moment has arrived: it advises east European countries on how to set up a democracy's secret service and keep it honest; the unfortunate Hungarians, Czechoslovaks and others have little to thank their communist spy services for. That is, however, a small task. More regularly, MI6 watches nuclear proliferation, tracks ex-Soviet weaponry and scientists, provides reports on the politics of certain countries, offers up a small amount of economic information and ad hoc bits and pieces of commercial news, and, increasingly, tracks international terrorists and drug dealers.

The latter is its only really dangerous work; most MI6 officers had a rather cosy relationship with their opposite numbers in the KGB, when it was the enemy. They knew each other: they met at cocktail parties. They competed, but by and large did not kill one another, as John le Carré would have us believe. Real life intelligence work is more mundane. There is little violence and, I am assured, no assassinations.

Mr Hurd knows all this. He is prone to tease those of us who think his previous bill, and its accompanying sharply-focused official secrets act, was flawed. As he points out, no editors have gone to jail since its passage. Yet he will understand the case for harmonising his new bill with the promise of more open government made by Mr Major. There should be only the slightest of differences between the law as applied to run-of-the-mill civil servants and their run-of-the-mill colleagues in MI5 and MI6.

Uzbekistan is attempting the difficult task of reviving its economy and establishing a secular government, says **Leyla Boulton**

Painful and protracted birth of a nation

After just four months' training in the US, Mr Rustam Azimov, 33, is the most experienced banker in the newly independent republic of Uzbekistan.

Although an able chairman of the National Bank for Foreign Economic Activity, Mr Azimov is looking forward to the return of colleagues from abroad to help him handle the republic's international banking operations. "Before, we never had to deal with such matters," he explains. "Now we are counting on our young people to quickly absorb everything we need to know."

Just a short drive across Tashkent, in the old part of the Uzbek capital, but a world apart in how they see their future, dozens of teenage girls in white headscarves are studying the Koran at religious instruction classes. Their veiled teacher, a retired construction engineer who 10 years ago would never have covered her face, wants an "Islamic state" in which women would no longer be allowed to work in factories, on farms, or building sites.

These two faces of Uzbekistan – on one hand a shortage of business skills and on the other the appeal of long-suppressed religious and ethnic values – pose a dilemma for this Central Asian republic as it seeks simultaneously to build an independent state and switch to a market economy.

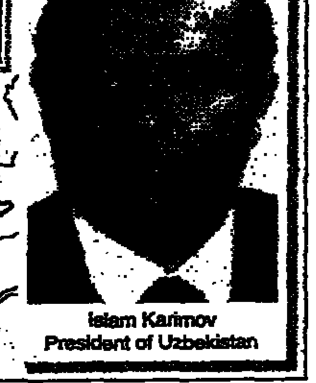
While Islam remains a largely dormant force – Uzbeks consider themselves Moslems though few know what this entails – a failure to deal with structural economic challenges could open the way for a state governed by religious laws.

The difficult transition from the one-party state to a more pluralist political system is being closely watched by the American government, and by neighbouring countries – particularly Turkey and Iran. All are seeking to fill the vacuum left by the collapse of communist rule in Uzbekistan, as well as Turkmenia, Tajikistan and Kirghizia, the other three former Soviet Central republics.

The US, anxious to guard against Islamic fundamentalism, earlier this year became the first foreign country to establish an embassy in Tashkent. Turkey, a Nato ally which enjoys unrivalled prestige in Uzbekistan because of ethnic links with Central Asia and because of its economic success, is being held up by President Islam Karimov as a model of development. By this, he means a secular state which respects the country's Moslem identity but keeps religion separate from government.

Despite the competition for regional influence there are also moves for co-operation. This weekend, presidents of the Central Asian republics will meet in the Turkmen capital Ashkhabad with leaders of Iran, Turkey and Pakistan to consolidate new economic ties.

Economic development is a high priority for Uzbekistan's 20m inhabitants. But they face daunting problems. , The discovery of oil in the republic on March 2 – the day that it joined the United Nations – was seen as a gift of God. But it will take more than oil to build a market economy.



Islam Karimov
President of Uzbekistan

The republic is a net importer of consumer goods, food, and, until now, energy. It has also traditionally relied on funds from Moscow for up to 30 per cent of its budget expenditures.

Traditionally a supplier of raw materials first to the Russian empire and then to the Soviet Union, Uzbekistan is now trying, with varying degrees of success, to sell its commodities on international markets, without going through Moscow.

The republic is now seeking foreign investment to help it process more of its wealth internally

With this aim, Mr Azimov's bank was founded last October by the state-owned enterprises that account for the bulk of the republic's wealth. Uzbekistan has one main advantage over many other former Soviet republics: its vast natural resources. Apart from the newly-discovered oil fields, it is the world's third-largest cotton-grower and seventh-biggest gold producer.

"We were a colony and we remain a colony," argues Mr Azimov, who complains that Uzbekistan develops only 8 per cent to 10 per cent of its raw materials internally. The rest is exported to plants in Russia or abroad – with a Russian cotton shirt selling for 30 times the price of the Uzbek raw cotton which went into making it. Uzbeksitan is now seeking foreign investment to help it process more of its wealth.

As well as trying to increase profits from natural resources, the ruling National Democratic party (the former Communist party) is taking hesitant steps towards introducing a market economy. But, as in other former Soviet republics, the measures have met resistance. Price liberalisation in January provoked student riots that were brutally put down.

Speeding up the distribution of wealth is seen as crucial in maintaining social stability given the demographic legacy of decades of lopsided development. The decision by Soviet economic planners that Central Asia should focus on agriculture deprived Uzbekistan of an industrial base and – given the tradition of big families in rural areas – fuelled population growth. The population of Central Asia is growing by 1m people a year, 600,000 of them in Uzbekistan.

This in turn generates an ever-growing demand for land and water resources. The depletion of the Aral Sea is a result – one of the great ecological disasters of the 20th century.

It is against this background that the Uzbek government is trying to shape a secular political system. President Karimov is pursuing what he calls a Turkish model of development to disentangle the republic from the Soviet system. One example is that he is considering a switch to the Latin alphabet embraced by Ataturk to replace the Cyrillic script imposed by the Russians.

The government is also preparing a new constitution for a democratic state, even though the president's opponents say he still tightly restricts political freedoms. Mr Muhammad Saliq, the 41-year-old leader of the Erk opposition party who ran against Mr Karimov in December's presidential elections, says he is preparing an alternative constitution "because our understandings of democracy differ".

What is clear is that President Karimov, who has banned the creation of Islamic parties, will try to enforce a division between the authority of the state and the mosques which are now free of state control.

In the republic's deeply religious Fergana Valley, the scene of race riots two years ago, authorities earlier this year arrested leaders of vigilante groups which tried to impose Islamic law on the inhabitants of a town called Namangan.

For the Uzbek president, the events in neighbouring Tajikistan, where a coalition of democratic and Islamic forces has overthrown the old communist leadership, stand as a grim warning. And Islamic politicians and leaders in Uzbekistan are convinced it is just a matter of time before their ideas prevail.

Mr Dedehan Hassanov, an ex-Communist who has shortened his surname to the less Russian-sounding Hassan and was banned from registering an Islamic Revival party, says:

"God gave us Islam so we could live decently and not steal." But he believes it is still too early to create an Islamic state and denies that Iran is a model, saying that Iranians are Shiite "fanatics" whereas the Uzbeks are Sunni Moslems.

Mr Hassanov says a priority is to first "cleanse" the republic – ensuring that Uzbek is enforced as the state language and that children are taught about their religion.

Mr Zahidian Kadirov, the deputy mufti (religious leader) of Tashkent who received religious training in Libya in the 1970s, says the main task of the religious opposition is to "explain true Islam to our Moslems", so that supporters of an Islamic state can take power in the next presidential elections, scheduled in five years.

Both Mr Hassanov and Mr Kadirov welcome the economic hardships facing the republic as a catalyst for religious faith. President Karimov, fearing just this, knows he has to hurry to improve living conditions. But with the transition to a market economy unlikely to be accomplished quickly or easily, he will find himself in a difficult race against time.

OBSERVER

Billionaire missionary

■ Teenage aspirations to be a missionary seemed to be sunk for Stephan Schmidheiny when his industrialist father press-ganged him into heading the family asbestos company at the age of 27. But besides making himself a billionaire over the 17 years since, the shy Swiss entrepreneur has emerged as a powerful missionary for environmental causes among his fellow business leaders.

For instance, his was the hand that drafted yesterday's report to go before the "Earth Summit" to be staged in Rio next month by the Business Council for Sustainable Development – a pressure group of 48 big-company chief executives which Schmidheiny has supported with $10m of his own cash.

His green concerns were already budding when he began the job in asbestos. Deciding there was no future in it, he defied paternal advice and pulled out. Over the intervening years he has built up a diversified international business empire spanning companies such as Landis & Gyr (air conditioning) and Leica (optical and scientific instruments), as well as sizeable minority stakes in SMH (watches, including Swatch) and ABB (power engineering).

Although scarcely a hot gospeller – he has the scholarly appearance to go with his reputation as a business strategist and philosopher – he has an incisive speaking style. And he has used it tirelessly in preaching to the world's business communities his own conviction which forms the message of the report: that greenery and profits both can and should go hand in hand.

True, it is not a message which always pleases the more fervent brand of environmentalists – Greenpeace has described his report as "greenwash". But Schmidheiny was prepared for a brickbat or two.

So long as next month's summit brings recognition that private enterprise has a key role in the cause, he says, that will be an encouraging start.

Up in arms

■ Trouble at home, as well as in the House, for health secretary Virginia Bottomley?

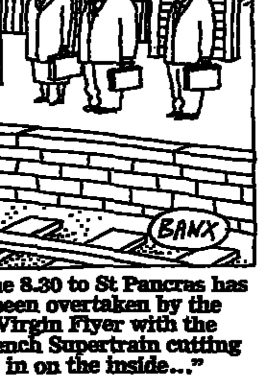
Her husband Peter, Conservative MP for Eltham, is up in arms at her department's wish to move several hospital service centres from his constituency into London, and is seeking support for a parliamentary motion to abort the plan.

IMF point man

■ Observer's sympathies go out to Hernan Puentes, the IMF's head PR flunky. He has been given the thankless task of trying to convince ordinary Russians that the IMF really does have their interests at heart rather than those of the west's ruthless capitalists.

Hosting his first press conference in Moscow since Russia joined the west's most powerful financial institution, Puentes seemed a bit short of ammunition. Handing out a glossy new booklet about the IMF, which translates its name into Russian as the "International Hard Currency Fund", is not enough to win over the hearts and minds of the proletariat.

President Boris Yeltsin has already said Russia will not take orders from the Fund, and Puentes stressed that his employer never dictates policy to any country.



"The 8.30 to St Pancras has been overtaken by the Virgin Flyer with the French Supertrain cutting in on the inside..."

However, if the IMF's experience in Poland is any guide, Puentes and his chums are going to have an uphill struggle convincing ordinary Russians that they have not simply exchanged the tyranny of the central plan for an equally oppressive economic regime.

Biter bit

■ A report from the Health Education Council due out on Sunday is likely to suggest that despite the UK government's implementation of an EC directive banning all TV tobacco advertising, the BBC is still providing lots of lovely free space for tobacco producers to splash themselves across.

Just why is it that tobacco companies relish the chance to spend millions on sports sponsorship? Is it entirely unrelated to the fact that BBC cameras can hardly avoid spotlighting brand names placarded behind the snooker table, round the formula-one race's chicanes, and above the cricket umpire's elbow?

The report will be featured on Sunday's Bite Back programme – in which BBC executives are put on the spot by reporters and members of the public. A golden opportunity, no less, for powers-that-Beeb to put their view across. But Jonathan Martin, BBC TV's head of sport, has declined. It will be entertaining to see who – if anyone – fills the seat; and how many teethmarks are incurred.

Home-grown

■ Spare a thought for Sir Norman Fowler as he contemplates returning to front-line politics as the new chairman of the Conservative party. When he resigned after 10 years in Mrs Thatcher's cabinet he said he was determined to spend more time with his wife and young family.

Two years later, it may not be quite so easy to explain why he now wants to spend more time with his party.

No doubt as an old Times hand – he was the paper's home affairs correspondent in the 1960s – he shouldn't have too much difficulty coming up with an elegant account for his volte-face. Indeed, he is said to be working on a draft even now.

Salted away

■ Kent police were mystified after foiling an attempt by five men with a bulldozer to smash open an Abbey National cash-dispenser in the coastal resort of Herne Bay, and steal the money.

A police spokesman said: "Four men were arrested, but one ran off into the sea, and has not been found despite a search by the Whitstable lifeboat."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

MP is critical of EC deciding fate of bids for Midland Bank

From Mr Keith Hampson MP.

Sir, Your front page story on May 5 claimed that "Lloyds Bank had been taking advice from Keith Hampson. . in its battle with Hongkong Bank for control of Midland". This allegation has since been repeated in several newspapers. Let me make it clear that at no stage have I been an adviser to Lloyds Bank, nor had any discussions with it about its proposed offer for Midland. Nor have I been retained by GJW Government Relations, Lloyds' political advisers, since last summer.

I have no financial interest in the outcome of the rival bids, but as a member of the House of Commons Select Committee on Trade and Industry, I take an interest in the issues raised by them. The likely turn of events should cause concern. In particular there is the disturbing prospect that we shall be obliged to operate procedures which give foreign bidders an advantage over bids by British companies.

Should the European Commission decide that consideration of the Hongkong bid is a proper matter for it and, as is currently the case, it considers only the effects on competition, then the Hongkong bid will almost certainly be cleared. Some competition issues do, however, arise over the proposed Lloyds bid; but should that bid be referred to our Monopolies and Mergers Commission, it virtually leaves the way open for Hongkong Bank.

The future of the major high street banks surely raises public interest issues other than those of competition alone. All bids should be considered on the same playing field. The Select Committee's recent report on takeovers and mergers recommended that mergers which fall over EC thresholds but may materially affect UK interests, should be considered by the UK authorities.

The only course of action that I can see which would prevent the Hongkong Bank from having a clear run, would be for the British government to claim that there are specific "legitimate" non-competition UK interests which warrant examination by our MMC.

The Commission would have to decide whether such a claim was compatible with Community law, but the government could bring any adverse ruling before the European court so as to clarify the scope of legitimate national interests. I suggest that, meanwhile, it would be a nonsense to allow the bid to go ahead and there would presumably be scope for the secretary of state to seek an injunction. This might at least ensure that the British bidder was less disadvantaged.

Keith Hampson,
House of Commons,
London SW1A 0AA

The roots of US racial problems

From Mr Claude Roessiger.

Sir, Edward Mortimer's reflections in "Nations in glass houses" (May 6) are correct insofar as they admonish Europeans to refrain from smugness regarding their own race relations, as compared to those in the US, but dead wrong in seeking the roots of the evil.

A simple explanation of social and economic data will confirm that what had been a transient economic underclass – that is, a class of people both poor and uneducated but from which it was possible to rise – became a permanent underclass as a direct consequence of the social assistance programmes of Lyndon Johnson's Great Society, programmes which made it economically rewarding to do nothing about one's own circumstances. Nor ought this to be a revelation, for Europe's social democracies are achieving the identical result, the creation of a permanent underclass through social assistance.

The blacks in this underclass in the US today are held far more firmly in bondage, a cruel bondage of good intentions, that they ever were in steel chains, which only required physical escape.

The new Simon Legrees are the social welfare architects who have pandered to generation after generation of American blacks, destroying the family, pardoning any behaviour with excuses, and destroying any incentive for self-improvement. If black rage were properly directed, it would be at the hand which pretends to help.

Claude Roessiger,
PAK 2000,
Mirror Lake, NH03853
US

A home for heritage

From Mr Roland Freeman.

Sir, In Raymond Snoddy's interview with the new Arts Minister ("F" stands for culture", May 5) we learn that David Mellor is having difficulty in finding a suitable building near parliament for his National Heritage Department. May I suggest that, just across the river, County Hall is exactly the right venue for the 400 staff he intends to appoint? It is next door to the South Bank Arts Centre and, with Mr Mellor in residence, might well attract the headquarters of other arts and heritage organisations.

Any remaining spare could no doubt be filled by overspill from its close neighbour, the Department of Education, as it takes over tens of thousands of schools opting out of local-authority control. All of which will perfectly symbolise the trend towards central control of what were once locally provided services. Second best maybe, but most of us would prefer a public service future for London's County Hall rather than the proposed Japanese hotel and luxury flats.

Roland Freeman,
14 Northridge,
Northiam,
East Susser TN31 6PG

Wandsworth seeks funds for facilities, not new colleges

From Mr Edward Lister.

Sir, Wandsworth Council is not seeking City Challenge cash to fund new City Technology Colleges in Battersea ("Doubt over council's schools plan", April 25). The East Battersea Challenge sets out to give a competitive advantage to the whole community – and focuses in particular on developing a wide range of educational and training initiatives for people of all ages.

We have this year set up the new Battersea Technology College in the heart of the area. Our bid addresses the critical issue of how we can ensure that local youngsters make the most of the exciting opportunities offered by the new school.

City Challenge funding would be used to provide the local primary schools with new technology facilities and allow the introduction of modern language teaching. These and other related initiatives such as after-hours homework clubs and summer schools are additions to our mainstream responsibilities. All, we have been assured by the responsible government officials, are entirely consistent with the City Challenge criteria.

At the same time, we are developing a parallel proposal to establish a "prep" school within Battersea Technology College. This is designed to complement the approach in the existing primary schools. It forms no part of our bid for City Challenge funds.

The City Challenge assessors will be examining many imaginative and innovative ideas in the weeks ahead. But for many of the councils concerned it will be their first – and probably last – brush with radicalism. We have a record of making things happen in Wandsworth. This is the context in which our bid will eventually be judged.

Edward Lister,
chairman, education committee,
Wandsworth Borough Council,
The Town Hall,
Wandsworth High Street,
London SW18 2PU

FINANCIAL TIMES
Friday May 8 1992

Lebanese muster survival skills

Lara Marlowe describes how Beirut's fragile peace reverted to anarchy

THE WAR was supposed to be over; the barriers were bulldozed by the Lebanese army last summer. Peace was supposed to mean freedom of passage – an end to barricades of burning cars and tyres. The Lebanese thought they had exorcised the bad memories of 1975, when the civil war started with riots similar to those that wracked the country this week.

How quickly Lebanon's impoverished peace reverted to anarchy; how unnerving to see pistol-toting militiamen striding purposefully down Hamra Street again, among the small boys wielding sticks festooned with devalued Lebanese pound notes. They delighted in the sound of shattering windows, in the shouted obscenities against the government.

When the riots which toppled prime minister Omar Karami's government were over, only the glass merchants would benefit from the orgy of breakage. There had not been such demand for *new window panes since the* artillery bombardments of 1990.

Was it premature then, the refurbishing of shops and restaurants? Had Beirutis been too quickly seduced by an elusive peace? In the Unesco quarter, just 100 metres from the home of the speaker of parliament, the elegant, newly erected facade of the Bank of Kuwait and the Arab World was devastated. Chunks of white marble, chipped off by the rioters' crowbars, lay in the street.

The Middle East insurance executives who convened in Beirut this week will not forget their lunch at the seafront, marred by a crowd throwing empty bottles. "Why should you eat when we have no food?" the people shouted. And – shades of Marie-Antoinette – President Elias Hrawi is sure to remember the housewives and children who marched to his home in Zahle in the Bekaa Valley crying, "Give us bread, we are hungry."

Until this week, it was easy to forget those dispossessed by peace, the ragged thousands who took to the streets to the cheers of their better-off compatriots. Since the beginning of May, the street lamps were lit on the Mediterranean Corniche for the first time in nine years.

On balmy evenings, families *walked along the* promenade, buying coffee from the sidewalk vendors while Arabic music blared from push-carts offering audio-cassettes, the sesame-studded bread known as *ka'ak*, peanuts, sunflower seeds and pistachios. There was a profusion of florists and stalls offering exotic fruit.

Smith's grocery store had revamped its facade with bright red awnings. For a price that few Lebanese could afford, there was duck liver paté, imported crab meat and champagne. In Hamra Street, the shopowners who yesterday assessed the damage had stocked the latest "roulette" five-disc CD players, French designer clothes and copies of the same clothes from Turkey.

But housewives bemoaned the price of tomatoes; from L£600 per kilo in January to L£2,000 (about $1) this week. And Filipino maids were hard hit by government corruption. Lebanese officials asked for $2,000 in bribes – nearly two years' wages for many – just to issue work and residence papers.

As the rioters began burning tyres on Tuesday night, the most wealthy member of an old Beirut Moslem family told his dinner guests that he had been offered $55m for his 19th century mansion and grounds, but would not consider selling. The owners of a grand Ottoman house on the *heights above Raouche* were asking $12m – but of course the house would be torn down to make way for a high-rise building immediately after the sale.

Like many of their fellow Lebanese, the dinner guests betrayed their nostalgia for the exiled Lebanese General Michel Aoun. "There has never been any problem between the Lebanese – Moslems and Christians want to live together, if only the foreigners would leave us alone," went the old, unconvincing refrain.

The Syrians have launched a timid public relations campaign, prompting their clients in the Shia Moslem Amal militia to cover walls with posters showing clean-cut, smiling Syrian soldiers handing out toys to Lebanese children. "The sons of (Syrian President Hafez) Al-Assad are here to protect the future of Lebanon," the posters proclaim.

But the Syrian soldiers melted away before the mobs who swarmed through Beirut on Wednesday. Former prime minister Karami's government said it wanted them to stay in Beirut beyond the September 1992 deadline set by the Taif peace accords.

No one knows what the next government will say. No one knows whether the first parliamentary elections in 20 years will *take place this summer.*

Once again, the Lebanese are mustering their famed skills of survival. The economic crisis has denied them simple pleasures that even the war never touched. Yet again, the promise of a new beginning lies in streets strewn with broken glass and burning rubbish.

THE LEX COLUMN

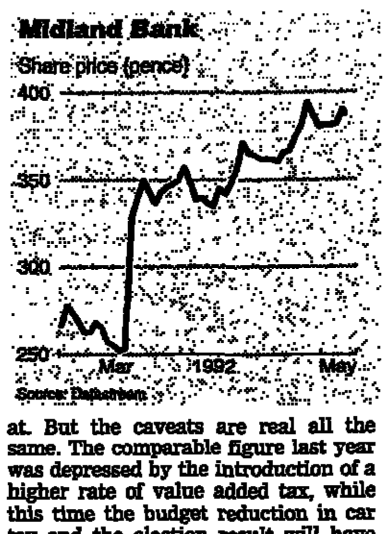
Midland's twin tribunal

The advantage in the battle for Midland seems to have switched to the Hongkong Bank. It is now almost certain that its bid will come under the jurisdiction of Brussels, while any bid from Lloyds will be referred to the UK's Monopolies and Mergers Commission. With luck, HSBC's bid could run its full course before a Lloyds offer was even cleared.

Lloyds would thus be free to withdraw on the grounds that its preconditions had not been met. But it would surely be tempted to stand its ground as a spoiling tactic, whether or not it believed in its ability to convince the MMC. Midland's shareholders would then be in a quandary. The Lloyds bid is not only worth more than HSBC's, it also makes better strategic sense for both banks. But the final competition policy decision could go either way. Though Lloyds will be able to muster a strong lobby, the discreet support of other clearing banks worried about the introduction of fresh capital to an overcrowded market could be more of a hindrance than a help. It would amount to a collective plea by the *industry to limit competition,* which the MMC would surely find hard to swallow.

Meanwhile HSBC would have a firm offer on the table, worth 30p more than Midland's share price yesterday thanks to a strong Hong Kong market. At this level it would be hard for the HSBC to justify an increase to its own shareholders, who have mistrusted the plan from the start. HSBC has underperformed its quoted Hang Seng Bank subsidiary by over 20 per cent since bid talks were revealed in March. It is scarcely likely that Midland holders could get out for cash at the current bid value if the deal went through. That explains why Midland's price is languishing at 389p. The time may be coming for holders to consider selling in the market.

FT-SE Index: 2701.9 (+3.2)



UK car sales

It is surely stretching the evidence to conclude that the level of new car sales in April is concrete evidence of economic recovery. Nevertheless, combined with an upbeat statement from the motor component manufacturer T&N, the 9.1 per cent year-on-year increase in vehicle registrations last month provoked new stirrings among the leading component stocks yesterday.

The fact that the April number was positive after 29 months of dismal *decline is certainly not to be sniffed* at. But the caveats are real all the same. The comparable figure last year was depressed by the introduction of a higher rate of value added tax, while this time the budget reduction in car tax and the election result will have provided an immediate boost. Out in *the showrooms,* moreover, the *general* mood remains one of extreme caution as dealers await the reality of the upturn rather than the promise. There is hope that the recent half point interest rate cut may help tempt the still elusive private buyer, though that is tempered by fear that many may now hang on for the change in registration number prefix in August.

As for T&N, whose shares jumped 8 per cent yesterday, the chairman's prediction that the recovery should be well established by the end of this year is fighting talk. The company's achievements in lowering costs and taking advantage of German competitors' misfortunes to gain market share are indeed impressive. But it is worth remembering that T&N desperately needs bigger volumes to justify its appetite for capital spending.

BP

Its first quarterly net loss aside, BP's results were depressing confirmation that the group appears bent on maintaining its dividend at the expense of shrinking itself. The quarterly payout accounted for 40 per cent of a £544m net cash outflow before financing. The result was that gearing rose to 85 per cent and may rise again this quarter.

BP may have been influenced by the big US oil companies, all of which held *their dividends* despite a *dismal first* quarter. Its peculiar problem is that it entered the downturn with a relatively weak balance sheet which has gone on deteriorating. A cost-cutting programme should make the group more able to compete with its peers. But capital spending will fall this year and next, whole divisions are marked for sale and management is praying for a recovery in the oil price. Even if that unlikely event occurs, margins will be slow to respond.

Shareholders are already being offered a payout which is falling in real terms, so it is scarcely surprising that BP shares have underperformed the market by a fifth this year. A nominal cut in the dividend would doubtless hit the shares harder again. But arguably investors would be better served in the long run by a reduction in the payout to a level which BP's cash flow can bear. Whether BP can bring itself to bite the bullet is another matter.

Sears

It is just 10 years since Sears' *annual* profits went through £100m. They have now done it again in the opposite direction. The cycle aside, the company has lost its way. The proposition is that its culture and strategy can now be transformed by the new chief executive, Mr Liam Strong. It would not do to count on it. The company's problem is not merely the huge waste of resources tied up in its shoe shops. Selfridges and Freemans, which made up almost two thirds of last year's profits, are not growing either. If these problems prove intractable, Mr Strong promises more radical action. But he gives himself several years.

Meanwhile, the valuation of the shares – down 7 per cent yesterday to 97p – rests purely on yield and asset backing. It is vulnerable on both counts. The net asset value per share of 83p is based on property valuations dating back to 1988. The company now reckons its property values are down 8 per cent, the retail part down 15 per cent. As for the dividend, the company's explicit caution about the future is understandable given that the held payment is less than four fifths covered.

Last year, Sears spent £66m on fixed assets. It is now paying out £81m in dividends. If the directors believe that shareholders' money is better deployed outside the business, it seems sensible for shareholders to take the hint.

Five more arrested in Italian corruption investigation

By Robert Graham in Rome

MR ENZO PAPI, managing director of Cogefar-Impresit, the leading Italian civil engineering group owned by Fiat, was one of five people arrested late on Wednesday and in the early hours yesterday as part of Milan magistrates' widening investigation into municipal corruption.

This brought the total arrests to *26 businessmen, politicians* and municipal officials, facing charges ranging from alleged corruption, extortion and illegal receipt of money to bribery and abuse of public office.

Yesterday's arrests also resulted in the first Christian Democrat politician being detained in prison since the scandal broke two months ago. This prompted an announcement from *the Christian Democrat executive* that a special commission had been formed to investigate the affair. The Socialists had already announced a similar commission earlier in the week.

Three leading local politicians from each of the Christian Democrats, the Socialists and the former communist Party of the Democratic Left (PDS) have been charged, along with 15 businessmen in the construction sector.

A statement from Cogefar-Impresit said the group had the "maximum confidence" in the magistrates and retained their "positive judgment" of Mr Papi.

Already under arrest is Mr Roberto Schellino, a former technical director of Cogefar-Impresit. Fiat acquired Cogefar in 1989 and merged it with its own civil engeering arm, Impresit.

Magistrates are investigating the alleged links between the award of big public works contracts in Milan, dating back to the early 1980s, and the payment of bribes which were funnelled to political parties.

Also arrested are Mr Mario Lodigiani, vice-president of his family company, and Mr Angelo Simontacchi, head of Torno – both are among the largest private construction companies in the country.

The newly arrested political figures were Mr Sergio Radaelli, a Socialist and board member of SEA, the Milan airports authority; Mr Maurizio Prada, head of ATM, the municipal transport authority and a member of the Chrisitan Democrat national executive; Mr Gianstefano Frigerio, Christian Democrat regional secretary and mayor of Cernusco near Milan; and Mr Augusto Rezzonico, a former Christian Democrat senator.

Heavy blow to Craxi, Page 3

Crisis deepens over drive to remove Thai prime minister

By Peter Ungphakorn in Bangkok

THAILAND'S most serious political unrest in more than 15 years deepened yesterday as more than 100,000 people defied military orders to end protests demanding the resignation of the new prime minister, former army commander General Suchinda Kraprayoon.

After a day of high tension, confusion and apparent miscalculation by the military, the protesters moved from a narrow street in front of parliament to a much larger square in the centre of Bangkok.

One reason for the move was to give more room for Major General Chamlong Srimuang, former governor of Bangkok, who has now completed three days of his hunger strike and was clearly suffering when the crowd at the round-the-clock vigil grew in size each evening.

Gen *Chamlong, the former* soldier known as the Mr Clean of Thailand has vowed to fast until he dies or forces the resignation of Gen Suchinda, who engineered a military coup 15 months ago and took over as prime minister last month.

Mr Suriyant Oonnarkka, a member of Gen Chamlong's party, said the demonstrators would stay all night in defiance of the military.

His aides said the four main opposition parties had written to King Bhumibol Adulyadej asking him to intervene.

Students, workers, young professionals and old people joined the protest, the largest since a student uprising toppled a military dictatorship in 1973. They are accusing the military of manipulating the electoral process to perpetuate its domination of Thai politics.

An attempt by the prime minister to discredit Gen Chamlong clearly misfired, at least as far as public opinion in the capital was concerned.

Gen Suchinda spoke briefly to parliament less than an hour into the second day of a debate on his new government's policy statement. He accused Gen Chamlong of being a religious deviant and *implied that another opposition* leader, Gen Chavalit Yongchaiyudh, wanted to impose a communistic leadership.

The crowd outside parliament booed when they heard what Gen Suchinda had said about Gen Chamlong, and speculators, watching the debate on television, dumped their shares. In the 10 minutes that he spoke the stock market SET index lost 30 points although it later recovered to close only 6.9 points down at 710.72, the lowest level this year.

The opposition booed the prime minister inside parliament too and the debate was abruptly closed.

Later in the day the military replayed tapes of the speech on television, editing out the booing. They also showed clips of some of the more aggressive gestures of the largely peaceful crowd before they started issuing orders for the demonstrators to disperse. They claimed the protesters were out to overthrow the legal government and to stir up unrest.

All this has apparently only increased the numbers willing to join the demonstration. A sympathy rally was held in the northern city of Chiang Mai.

Late last night more petitions were submitted to the king ask*ing him to persuade Gen Such*inda to dissolve parliament and call another election.

At least one member of one of the five coalition parties backing Gen Suchinda was reported last night to be defecting. Protest organisers predict more will follow.

French interest rate cut raises EMS query

Continued from Page 1

kets, in spite of the cuts in borrowing rates.

The D-Mark closed last night in London against the franc little changed at FFr3.3669, while the pound gained 1½ pfennig to close at DM2.94.

Both currencies were helped by *the expected decision by the* Bundesbank council to hold its emergency Lombard rate at 9.75 per cent. The pound also benefited from a decision by a big UK company to buy a large volume of sterling for dollars.

France's base rate reduction came after the Bank of France announced a reduction in its reserve requirements – the sums the banks are obliged to lodge with it – while leaving its official intervention rates intact.

The reserve requirement on current accounts have been cut from 4.1 to 1 per cent and on passbook savings accounts from 2 to 1 per cent. This should save the banks an estimated FFr31bn ($5.55bn) a month.

Mr Michel Sapin, finance minister, *said the reduction was* intended to help small businesses by making it easier for them to obtain credit. He said it had been facilitated by "moderate growth in demand for money" and low inflation. The reduction in French borrowing costs comes on the eve of an informal meeting of EC finance ministers in Oporto, where the impact of interest rates on growth will be high on the agenda.

The meeting has special importance for the French, having been initiated by Mr Pierre Bérégovoy because of his concern about the EC's sluggish growth. Mr Bérégovoy, previously finance minister, became prime minister last month.

The relatively high level of *interest rates is one of France's* main economic problems. The government reduced its official intervention rate last autumn, only to be forced to raise it when the franc came under pressure. The consensus among economists is that France will not risk reducing the intervention rate again, despite the low level of inflation at 3 per cent, until the Germans do so.

Croats and Serbs plan to carve up Bosnia

Continued from Page 1

Moslems make up 44 per cent of the 4.3m population, Serbs 30 per cent, and Croats 17 per cent. The Croat-Serb talks coincided with fresh appeals from Bosnia's Moslem leaders for the deployment of UN peacekeepers and foreign military intervention.

The Graz talks were also attended by Mr Mate Boban and Mr Franjo Boras, the nationalist leaders of Bosnia's Croats, who held further consultations in the Croatian capital, Zagreb. Mr Boban is a close ally of Croatian president Franjo Tudjman.

Last year, the Serbian and Croatian presidents had met secretly to discuss how the ethnically mixed republic of Bosnia-Hercegovina would be divided.

Mr Branko Salaj, Croatia's minister of information, denied he knew about the Graz talks, but said: "We do not want the Croats in Bosnia to be engulfed in a Bosnia which is part of a greater Serbia." He also denied that Croatia was seeking to annex parts of Bosnia.

However, he said that historically Bosnia-Hercegovina's Moslems had not felt endangered by the Croats.

World Weather

		°C	°F
Ajaccio	S	19	66
Algiers	F	20	68
Amsterdam	C	15	59
Athens	F	23	73
Bahrain	S	29	84
Bangkok	F	38	100
Barcelona	S	20	68
Beijing	F	25	77
Beirut	C	22	72
Belfast	C	12	54
Belgrade	S	23	73
Berlin	C	16	61
Biarritz	C	15	59
Bombay	F	32	90
Bordeaux	S	21	70

		°C	°F
Boulogne	F	14	57
Brussels	S	17	63
Budapest	F	22	72
Buenos Aires	R	25	77
Cairo	F	28	82
Cape Town		–	–
Caracas	C	30	86
Casablanca †	S	22	72
Chicago †	S	4	39
Cologne	C	18	64
Copenhagen	R	14	57
Corfu	S	26	79
Dallas †	S	10	50
Dublin	Dr	14	57
Dubrovnik		–	–
Edinburgh	C	13	55
Faro	S	25	77
Florence	S	26	79

		°C	°F
Frankfurt	F	20	68
Geneva	S	19	66
Gibraltar	F	20	68
Glasgow	R	11	52
Helsinki	S	13	55
Hong Kong	T	23	73
Innsbruck	S	19	66
Inverness	C	10	50
Islamabad	F	31	88
Istanbul	S	18	64
Jakarta	C	32	90
Johannesburg	S	23	73
Lisbon	S	24	75
London	S	19	66
Los Angeles †	C	17	63
Luxembourg	S	18	64
Madeira	F	19	66
Madrid	S	20	68

		°C	°F
Majorca	S	24	75
Malaga	F	21	70
Malta	S	23	73
Manila	C	36	97
Melbourne	F	22	72
Mexico City	R	20	68
Miami †	S	21	70
Milan	S	24	75
Montreal †	S	9	48
Moscow	F	17	63
Munich	F	19	66
Nairobi	F	25	77
Naples	S	25	77
Nassau	R	30	86
New Delhi		–	–
New York †	S	9	48
Nice	S	23	73
Nicosia	C	23	73

		°C	°F
Oporto	S	23	73
Oslo	F	13	55
Paris	S	21	70
Prague	F	16	61
Reykjavik	C	3	37
Rhodes	R	16	61
Rio d'Janeiro	C	28	82
Rome	S	23	73
Salzburg	F	19	66
S'Francisco †	C	14	57
Seoul	R	17	63
Singapore	F	30	86
Stockholm	R	13	55
Strasbourg	S	21	70
Sydney	S	21	70
Taipei	C	32	90
Tangier	S	23	73
Tel Aviv	C	25	77

		°C	°F
Tenerife	F	21	70
Tokyo	C	15	59
Toronto †	S	5	41
Tunis	S	22	72
Valencia	C	20	68
Venice	S	23	73
Vienna	F	20	68
Warsaw	R	11	52
Washington †	S	8	46
Zurich	S	19	66

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Friday May 8 1992

Ericsson incurs loss of SKr363m as sales drop

By Robert Taylor in Stockholm

ERICSSON, Sweden's leading telecommunications group, announced yesterday that it suffered a pre-tax loss of SKr363m ($61.7m) for the first three months of the year, compared with a profit of SKr1.009bn for the same period of 1991.

Consolidated net sales fell 11 per cent to SKr9.462bn from SKr10.649bn while income per share was SKr2.44 compared with SKr2.98 for the first three months of last year. The company said the main reason for the deterioration in its financial performance so far this year was the fall in demand in its main overseas markets combined with its determination to stick to its long-term technical development programme.

Ericsson forecast that income for 1992 would "continue to be low" and said its business outlook for the first half of the year was "very weak". The full impact of the company's cost savings exercise, which cut 1,610 jobs from its 70,000-strong labour force, will not bring positive results until the second half of the year, said Ericsson.

Mr Lars Ramqvist, president, said the 22 per cent improvement in order bookings for the first three months was evidence of the success of the company's research and development strategy. The value of orders rose to SKr13.057bn compared with SKr10.729bn for the same period of 1991.

"The sharp increase that has occurred during the two most recent quarters in orders is the result of specific orders for new systems and products rather than any change in the business climate," he said.

Mr Ramqvist told the annual shareholders' meeting that Ericsson's future as a leading international supplier of telecommunications systems during the 1990s depended on generating earnings so the company could pursue a high level of development activity and capital expenditure, and ensure a positive cash flow and dividend payments.

Ericsson reported a sharp fall in net sales revenue from its public telecommunications area in the first quarter to SKr4.163bn from SKr5.262bn but it also reported a marked increase in its order bookings.

In its radio communications business, the company reported a substantial rise in orders for pocket telephones and digital systems in the US and Europe.

Lloyds shrugs off EC blow to bid

By David Buchan in Brussels and Robert Peston and David Barchard in London

LLOYDS BANK said yesterday it was determined to proceed with its proposal to buy Midland Bank in spite of a severe blow to its hopes from Sir Leon Brittan, the EC competition commissioner.

Sir Leon said yesterday he believed a bid for Midland from Hongkong and Shanghai Banking Corporation fell within Brussels' jurisdiction while Lloyds' rival proposal would not.

Lloyds said it was confident that Sir Leon's announcement was only an interim statement and did not mean that the Hongkong bid will definitely fall outside UK jurisdiction. Lloyds wants both its plan and Hongkong Bank's bid to come under the jurisdiction of the UK competition authorities and has said it will make a formal bid only if both plans are investigated by the UK's Monopolies and Mergers Commission.

The Financial Times reported on Wednesday that the UK's Office of Fair Trading is planning to refer Lloyds Bank's bid for a three-month investigation by the MMC.

Yesterday, Lloyds also challenged the refusal by Midland to supply confidential commercial information which it needs to prepare a formal bid. Midland has already supplied the information to Hongkong Bank whose rival £3.3bn ($5.84bn) bid for Midland has been recommended by the UK bank's board. Lloyds expected a ruling from the Takeover Panel in due course.

This is the first time that Sir Leon has intervened during the commission's routine monthly inspection of large takeovers and mergers to make such an announcement purely about jurisdiction. An EC official said Sir Leon wanted to clear up speculation about how competition scrutiny of the bids for Midland might be divided between Brussels and London.

The commission stressed it was simply a matter of geography and arithmetic that brought the HSBC bid within - and the Lloyds proposal outside - the remit of the EC's 1990 merger regulation.

In the case of Midland and HSBC, "enough of their business together is done outside the UK to bring the vetting of such a merger to us", the EC official said.

Lex, Page 14

Downturn at German engineering group

By Christopher Parkes in Bonn

HIGH START-UP costs for Mannesmann's new venture in mobile telephones and weak demand for its traditional plant and engineering products cut the German engineering and technology group's operating profits by more than a third last year.

The expected downturn was confirmed at a supervisory board meeting in Düsseldorf yesterday, which also agreed to recommend payment of an unchanged DM9 dividend at the annual meeting on July 3.

Sales rose 1 per cent to DM24.3bn ($14.9bn), but operating profits slumped from DM1bn to DM625m, and the group's surplus fell 43 per cent from DM464m to DM263m.

The group, which has been largely restructured from a steel and engineering specialist, has diversified extensively, particularly into motor components.

This division, now the group's second-biggest core business after plant and engineering, has been hit by falling demand in the domestic market and weakness in overseas orders for new cars.

The group's new D2 cellular telephones business is due for launch in the summer, but there is uncertainty over its initial prospects because of economic stagnation in Germany.

In spite of the continuing recession abroad and stagnation at home, Mr Werner Dieter, chairman, said recently he was "not pessimistic" about prospects for this year. He expected sales on a like-for-like basis to match 1991, and new purchases, including VDO and Boge in components, would bring in an extra DM4bn turnover.

In the first two months of the new year order intake rose about 36 per cent on the same period in 1991. Turnover rose 29 per cent, to DM3.8bn, Mr Dieter said.

■ Investors relieved as 4.2p payout maintained ■ Shares down 2p

BP dividend uncovered after fall of 80% in first quarter

By Deborah Hargreaves in London

BRITISH PETROLEUM disappointed the stock market yesterday with an 80 per cent decline in its first-quarter profit which is not sufficient to cover the company's dividend payment.

However, the board decided to keep the dividend unchanged at 4.2p a share, much to the relief of investors who were concerned that BP might be forced to cut its payout.

The company reported a drop in its replacement cost profit, which strips out the effects of stock gains and losses, to £95m from £521m in the same period last year.

Stockholding losses of £156m led to the company's first ever reported quarterly loss of £61m compared with a profit of £10m in the 1991 quarter.

"Clearly the situation is not a rosy one," Mr David Simon, deputy chairman said. "We are encouraged by a stronger crude price and steady demand, but there has been no obvious firming in margins." For this reason, he said the financial outlook remains "muted".

Initially, the stock market marked BP's shares 10p higher in relief that the company had not trimmed its dividend, but later shares slipped off to close 2p down on the day at 260p.

Industry analysts expressed surprise at the £544m cash drain during the period which compared with a cash outflow of £116m in the same quarter last year.

Mr Simon pointed out that the company had cut capital expenditure by 15 per cent this year to trim costs and reduce debt. He said BP had signalled to its operating divisions that they must make a similar cut in budgets for next year.

Alan Harper
David Simon: 'We are at the turning point - changing our dividend policy would be premature'

In spite of efforts to keep the debt under control, the company's debt-to-equity ratio rose to 85 per cent during the quarter from a previous level of 78 per cent. It is expected to remain at this level for most of the year.

"We have made a judgment that we are at the turning point in the recessionary cycle and any change to our dividend policy would be premature," Mr Simon said.

BP's exploration and production division reported a slight drop in profits to £426m from £483m which was better than expected given the fall in crude prices and exploration cutbacks.

But the weak refining market led to a sharp downturn in profits from this division to £79m from £385m.

The profit level was boosted by divestment profits from the disposal of assets in west Africa and Ireland. Chemicals were also hard hit by the recession and showed a loss of £25m compared with a profit of £54m in the same period last year.

The group reported a loss per share of 1.1 pence compared with a profit of 0.2p last year. Oil production remained steady at 1.5m barrels a day although Mr Simon said this will drop in the second quarter when North Sea fields are closed for maintenance.

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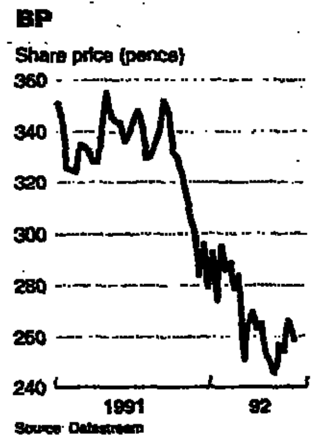


Russia assures survival of Moscow Narodny Bank

By Robert Peston in London

RUSSIA has guaranteed the survival and long-term prospects of Moscow Narodny Bank by injecting more than £300m ($540.45m) of new capital into the London-based trade and project finance bank.

Although Russia is suffering from a shortage of hard currency, it has used almost £310m of sterling and dollars to buy new preference shares in Moscow Narodny, which was the main overseas commercial banking arm of the former Soviet Union.

As a result, Moscow Narodny's issued share capital is now more than £500m, compared with its loans and other assets totalling £1.1bn at the end of 1991.

It made a pre-tax loss last year of £121m, compared with a £5.8m profit the previous year, mainly because it was forced to make a provision of £131m to cover possible losses on loans. Most of these provisions related to £500m of Russian loans. The bank said profit before provisions was almost unchanged at £10.7m.

Last summer, Moscow Narodny's depositors began rapidly withdrawing funds as they were losing confidence in the bank because of its exposure to the disintegrating Soviet Union. Since then, Moscow Narodny has been trying to reassure the financial community it has a long-term future, said Mr Andrei Rozhdov, an assistant director. The bank, supported by the Bank of England, persuaded Russia to convert much of its deposits with the London bank into new capital.

With the break-up of the Soviet Union into the Commonwealth of Independent States, ownership of Moscow Narodny changed. The Central Bank of the Russian Federation is now controlling shareholder, replacing the Bank for Foreign Economic Affairs.

Mr Bill Newman, assistant general manager, said profits in the current year were likely to be hit again by big provisions against Russian loans. But he was cautiously optimistic about the long term, saying deposits were returning to the bank. In future, Moscow Narodny will concentrate on five main areas:

- trading in debt of the former Eastern bloc countries;
- bullion trading;
- counter trade, or the process of receiving payment for exports to Russia in the form of commodities and goods;
- trade finance;
- arranging finance for construction projects.

Vienna airport plans public float

By Judy Dempsey in London

VIENNA International Airport (VIA) will join the British Airports Authority in becoming the world's second airport group to seek a public flotation early next month.

The timing of the issue coincides with the rapid expansion of traffic at Vienna airport following the collapse of the Berlin Wall in 1989, and the opening up of eastern Europe, and the completion in 1991 of a new terminal.

Since 1987, passenger volume has increased more than 10 per cent each year, with the exception of 1991 largely because of the Gulf war and the civil war in neighbouring Yugoslavia. VIA is now handling about 6m passengers a year, although the two runways have an annual capacity for 20m passengers.

The offering of between 5.3m and 5.5m shares – representing about 28 per cent of VIA's enlarged capital – is part of a long-term strategy aimed at making the airport a key transit point for passengers and freight between eastern and western Europe.

VIA is owned by three shareholders: the republic of Austria (50 per cent), the province of Lower Austria (25 per cent) and the City of Vienna (25 per cent). It ranks 24th in Europe in overall passenger numbers.

The bearer shares will have a nominal value of Sch100 each, and are expected to be priced between Sch320 and Sch360 when they will be traded on the Vienna stock exchange after the subscription period closes on June 5. The aggregate nominal value will total between Sch530m and Sch550m. The issue is expected to raise Sch1.8bn ($153m).

A third of the shares will be placed on the international market, and two thirds of the shares will be earmarked for the domestic market, of which about 10 per cent will be sold to VIA's employees at a discount.

Mr Erich Cordt, head of the international finance department at Bank Austria, which, with S. G. Warburg Securities, is leading the issue, said yesterday: "It was time Vienna airport responded to the market. We are ideally placed. Austria avoids all the air-traffic congestion, it is close to eastern Europe, and our market share is expanding."

The increase in traffic boosted VIA's net earnings. In 1991, net profits showed a small increase from Sch60.1m in 1990 to Sch62.5m in 1991.

INSIDE

US retailers report increases in sales

Many large US retail groups reported fairly strong sales increases in April, adding weight to suggestions that the economy is slowly pulling out of recession. Kmart posted a 5.5 per cent improvement in same-store sales; Sears showed a modest 2.8 per cent increase in same-store sales; Dayton Hudson saw same-store sales rise 3 per cent; while May Department Stores managed a 5.9 per cent rise. J.C. Penney saw a 14.5 per cent rise. Page 18

Iveco expects another loss

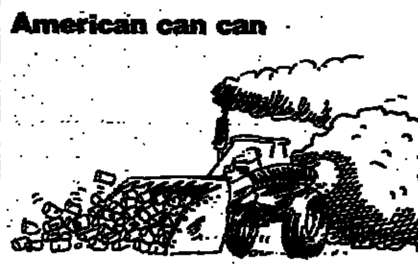
FIAT

Iveco, Fiat of Italy's commercial vehicles arm and Europe's second largest truckmaker, expects to make another loss this year for the second year in a row. However, its so-far undisclosed loss for 1991 "will be a lot smaller than many expect", says Dr Giancarlo Boschetti, chief executive. Page 18

Cheery times for Rodime

Once a high flier on the US over-the-counter market, Rodime, the disk drive manufacturer, has fallen to earth. But in spite of having a balance sheet with a negative net worth of $27m, the company's recent annual meeting was a surprisingly cheerful affair. James Buxton looks at Rodime's strategy. Page 23

American can can



Aluminium beverage can recycling in the US has set a new record due largely to a sophisticated collection system – nearly 57bn cans last year, a rise of 3 per cent over 1990. Can recycling now accounts for about 30 per cent of total US aluminium supply. "Of all the metals that are recycled today aluminium continues to be the model," according to Mr Richard Holder, chairman of the Washington based Aluminium Association. Page 30

New life for Bond Corp

Bond Corporation Holdings, Alan Bond's quoted flagship, may be relaunched this year following approval by the Australian Securities Commission to change its name to Southern Equities. The re-emergence of the company contrasts with the fate of Mr Bond, who was declared bankrupt last month. Page 17

Big break for futures industry

The US managed futures industry is about to get its first big break. A rule change has been proposed by the Commodity Futures Trading Commission that will allow commodity pool operators to offer unit shares to institutional investors without the complicated disclosure, reporting and record keeping that is entailed when such products are offered to the ordinary investing public. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Sears	42	–	1⅛
Rises				PARIS (FFr)			
Heidelb Zem	954	+	19	Rises			
Hochtief	1285	+	25	Bancaire Cie	517	+	32
Lahmeyer	788	+	23	Dassault	3096	+	171
Philipp Holz	565	+	20	Eurocom	697	+	17
Preussag	412.1	+	9.1	Gaumont	588	+	43
Falls				Immobanque	738	+	44
Porsche	500	–	30	Intertech	840	+	25
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Ben & Jerry's	40¼	+	2¼	D'Urban	629	+	64
Boeing	44⅛	+	⅜	Japan Metals	559	+	66
IBM	93⅞	+	¼	Mit. Plastics	470	+	46
Falls				Riken Vinyl	850	+	66
AT & T	44	–	⅛	Sanyo-Koku	518	+	53
Fed Express	49¼	–	2	Toyama Chem	650	+	70

New York prices at 12.30pm.

LONDON (Pence)				Savage	56	+	13
Rises				Smith New Ct	130	+	7
BET	154	+	12	T & N	154½	+	11½
Brit Fittings	119	+	9	Tace	155	+	20
Bulmer (HP)	306	+	21	Falls			
Burnfield Inv	208	+	25	Barratt Dev	76	–	4
Burnfield	222	+	20	Ladbroke	254	–	10
Church	333	+	23	MTM	51	–	4
Crestz	28	+	6	Matthews (B)	64	–	6
Cupid	108½	+	14½	Sears	97	–	6½
Delyn	52	+	5	UK Land	25	–	3
Euromoney Publ	785	+	102	WPP	45½	–	12½
Gestetner	120	+	8				
Oriel	144	+	18				
Proteus Intl	330	+	26				

O&Y declared in default on C$17m bond payment

By Bernard Simon in Toronto

HOLDERS of a series of Olympia & York bonds have declared the cash-strapped property developer in default, and are threatening legal action if overdue interest payments are not made next week.

O&Y failed to make interest payments of C$17m (US$14m) last Monday on C$325m worth of bonds secured by First Canadian Place, a 72-storey building in Toronto.

Under the bonds' trust indenture, O&Y is barred from taking rent from the property for itself before debt-service payments have been met.

Following a meeting on Tuesday, representatives of about three quarters of the bondholders have delivered a formal notice of default. O&Y has until May 14 to make the payments.

The bondholders, which include several US and European institutions, are due to meet their trustee, Royal Trust, in Toronto today. They are expected to demand that Royal Trust assigns rents or seizes the building if O&Y fails to meet the payments by next Thursday. Royal Trust will put forward a compromise proposed by O&Y.

Alternatively, the bondholders are asking a group of Canadian banks, which hold a third mortgage on the property, to meet the interest payments. They contend that the banks have more to lose if the bondholders sell the building in the current depressed market.

One investment adviser who represents several pension funds said yesterday he had "a fiduciary duty to go after this vigorously". He said the bondholders were angry O&Y had not consulted them in advance.

O&Y has also failed to make a relatively small US$6m payment on a US$970m floating-rate note secured by three Manhattan office buildings. The grace period on these payments expires next Monday, but the company is expected to meet the deadline.

O&Y faces the dilemma, however, that if these creditors are paid, others are likely to demand equal treatment. For instance, a group of Japanese institutions agreed last month to defer US$62m in interest due on a Eurobond secured by part of Manhattan's World Financial Center.

Meanwhile, G.W. Utilities and Gulf Canada Resources, both controlled by O&Y, said they were jointly seeking a buyer for their combined 63.5 per cent stake in Home Oil, a Calgary-based energy producer. The two companies have appointed First Boston to arrange a sale.

At current market prices, GW and Gulf's stake in Home would fetch about C$600m. Gulf said it would use the proceeds to reduce debt.

Philips optimistic despite set-back

By Ronald van de Krol in Eindhoven

PHILIPS, the Dutch electronics group, said yesterday that it was optimistic about the long-term prospects of consumer electronics, its single biggest activity, in spite of the set-backs suffered in the sector in 1991 and early 1992.

Jan Timmer: consumer electronics remain troubled

Mr Jan Timmer, president, said the company intended to continue pursuing its strategy of gradually increasing its role in the "software" side of consumer electronics – music, films, video rentals and other forms of entertainment – to complement its presence in the world market for televisions, compact disc players and video-cassette recorders.

He also said that Philips currently had no plans for a share issue to finance future investments. Instead, the company would continue to seek ways to run its businesses at a lower cost level.

Speaking at the Philips shareholders' meeting, Mr Timmer acknowledged that serious problems in consumer electronics had masked the overall progress which the company had made in returning to lasting profitability. He said that the difficulties in consumer electronics would eventually come to an end, enabling Philips to reap the full benefits of the restructuring and cost-cutting programmes launched in 1990. However he was unable to say when the market would begin to recover.

"The only big set-back [in 1991] was in consumer electronics, and the first quarter [of 1992] did not show an improvement," he said.

Mr Timmer conceded rescue operations at Super Club, Philips' loss-making, 51 per cent-owned, Belgian-based video-rental chain, had brought unforeseen problems for the group. He said Philips would press ahead with attempts to restructure Super Club's finances and to buy out minority shareholders.

Talks with minority shareholders, bankers and bondholders had entered a "decisive" stage, holding out the prospect of a solution being found in the next few weeks, he added.

Earlier this week, Philips reported a 29 per cent increase in first-quarter net profit in spite of the fact that its consumer electronics business slipped into the red, due to fierce competition on the global consumer market.

In 1991, Philips returned to a full-year net profit of Fl 1.2bn ($650m) from a record loss of Fl 4.24bn the year before, when the company took restructuring provisions of Fl 4.6bn.

France puts FFr2bn injection into Bull

By William Dawkins in Paris

THE FRENCH government will make a FFr2bn ($350m) capital injection into Bull, the loss-making state-owned computer maker, even though the European Commission has not given its agreement.

Paris announced yesterday that Bull would as expected proceed with its equity increase, which comes on top of a FFr2bn injection of fresh capital from the government last year, also being scrutinised by the Commission.

Bull said the Commission's inquiry did not legally stop it from going ahead. The French government has complained of the slowness of the Commission's inquiry, which opened last July.

Just over three quarters of the money will come directly from the government, in proportion to its 75.8 per cent ownership of Bull. The new shares will also be subscribed by France Telecom, owner of 17 per cent, and NEC, the Japanese electronics company, which holds 4.5 per cent.

Last month, Bull announced a FFr3.3bn loss for 1991, following a record FFr6.8bn deficit in the previous year.

Sears slips to £81m but holds payout

SEARS, the speciality UK retailer, which embraces Selfridges and a large slice of the UK's shoe shops, yesterday reported a 45 per cent fall in pre-tax profits to £81.2m ($143m), writes John Thornhill in London.

Earnings per share slid from 7.6p to 4.2p but the final dividend was maintained at 3.83p.

Mr Geoffrey Maitland Smith, chairman, said consumer confidence had plummeted last year creating the most difficult trading conditions for several decades.

In the year to January 31, sales fell 8 per cent to £1.98bn.

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Meissen thrives in new Germany

The world-famous porcelain company has made a smooth adjustment to the free market, reports Andrew Fisher

Meissen, the world famous porcelain company, is experiencing what most other east German companies can only dream of in the economic turmoil caused by reunification – a new lease of life.

Based in the pretty but dilapidated Saxon town of the same name, its sales have risen sharply; it has been able to make its high-priced products even more expensive; and it has absorbed the steep rise in wages to levels near those in west Germany without a crisis or the need for subsidies.

Along with other east German companies, Staatliche Porzellan-Manufaktur Meissen – to give the company its full and imposing name – has had to make some important adjustments to life in the free market. "Everything has happened in such a short time," says Mr Hannes Walter, managing director.

However, compared with most companies in the five new east German states, Meissen started from a position of relative strength. For one thing, its products have always been in demand in the west. Its biggest foreign market is Japan, accounting for 10 per cent of turnover. For another, it had a certain amount of freedom within the rigid East German system as a valuable earner of foreign exchange.

There is no doubt that Mr Walter, 48, greatly prefers doing business without the old constraints. In spite of its status as a showcase company under the old regime, the company had to remit most of its profits to the East German government, a policy that deprived the company of investment funds and kept the historic town of Meissen short of local tax revenues.

Today, the town is being smartened up, though patchily. The company is also refurbishing its impressive headquarters, not least to cater to the hordes of tourists who visit. In Easter week, as many as 12,000 people visited the company to see the impressive museum, housing porcelain objects and tableware covering the 282 years of its history.

Deep wallets are needed to buy Meissen products, and Mr Walter forecasts that people will need to dig even deeper. Since 1989, prices have risen by around 30 per cent and Meissen intends to keep raising them by 10 per cent or more a year. "We think we are still good value at these price levels," he says.

Demand for Meissen figures, tableware and other items shows no signs of abating. This year, Mr Walter expects turnover to exceed DM90m ($55m) after DM75m last year and DM50m in 1990. Prices of a Meissen coffee service start at DM3,000 and go up to DM60,000 or more for those with elaborate patterns.

For this year's 175th anniversary of its vine-leaf design, it is producing the same number of special coffee services at a price of around DM9,000. It expects to have no trouble selling these, just as the 150 traditional figures of a wandering map-seller, sold to commemorate Saxony's re-creation as a separate state, were quickly snapped up at DM5,000 each.

Saxony, whose capital is in nearby Dresden, is the sole owner of Meissen as it was before the formation of East Germany. To Mr Walter, the return to the Saxon fold is the most important thing that has happened to the company since unification. "We have to earn our own keep as well as helping to continue the state's cultural heritage".

Meissen was established in 1710 under the rule of Augustus the Strong and has played an important role in Saxony's cultural and commercial life. It is also an important employer. Today, its workforce, including 170 apprentices, totals 1,680 people compared with around 1,800 two years ago. Of these, 700 are artists with the years of training and experience needed to produce the delicate Meissen patterns.

Before the coming of the D-Mark and German unity, a painter earned only around 1,200 east marks a month, though top artists could earn up to 2,000 marks. The average wage is now nearly DM3,000; this is well over double the old level with the one-for-one exchange rate used for wage conversions under currency union, but much more if based on the east mark's previous low market rate.

Since labour makes up nearly 80 per cent of Meissen's costs, such a steep climb in wages is undoubtedly a burden. It means profits are minimal after investments of around DM8m a year to make long-neglected repairs and to improve kilns and other facilities – since most work is done by hand, the scope for modernisation is limited. Mr Walter declines to forecast when profits will reach acceptable levels or state what these might be. He is aware that Meissen's wages must reach west German levels if it is to keep its best employees; they are now at 70 per cent and parity will be reached in two years' time.

He is also encouraged by the fact that orders stretch two years ahead. Exports, representing about a quarter of sales, rose by 25 per cent in 1991. "That," says Mr Walter proudly, "puts us almost alone among east German companies".

Saab reports SKr293m deficit

By Robert Taylor in Stockholm

SAAB Automobile, the car company jointly owned by General Motors and the Swedish group Saab-Scania, yesterday announced losses of SKr293m ($49.8m) for the first quarter of the year. This was a 69 per cent improvement on the SKr953m deficit in the first three months of 1991, but it was a larger loss than the SKr134m sustained in the fourth quarter of last year.

Sales revenue rose to SKr3.902bn, compared with a figure of SKr3.365bn for the same period of last year.

The company said that the results reflected the "significant restructuring" which had taken place in Saab's automotive operations over the past two years, but it offered no forecast for the year.

Under the direction of Mr David Herman, the company's American chief executive, Saab has gone through a tough period of rationalisation, which is expected to cut the company's payroll by a third over three years.

With the help of a SKr5.5bn cash injection from its joint owners, the company will be launching new models starting next year with a replacement for the Saab 900.

Saab's volume sales in Europe have actually risen by 10 per cent to 8,500 during the first quarter of the year, with a doubling in sales to Italy. However, there was a decline in sales in the US to 5,626 cars, from 6,581 a year earlier.

"The situation in most of our markets is promising, and we are definitely getting on to the shopping list of more and more prospects who are in the market for premium brand cars," said Mr Hans Halbach, executive vice-president.

MGM control to Crédit Lyonnais

CREDIT Lyonnais – the French state bank with a combined loan exposure of more than $1.2bn in borrowings by Mr Giancarlo Parretti, the Italian financier, and MGM, the troubled Hollywood studio – yesterday acquired control of 98.5 per cent of MGM stock at a foreclosure auction held in Delaware, writes Alan Friedman in New York.

It paid a non-cash price of $483.5m by bidding an equivalent amount of secured debt of Pathe Communications Corporation (PCC) and its affiliates. The MGM stock was owned by Mr Parretti's PCC.

Earnings hit hard at SA brewer's retail businesses

By Philip Gawith in Johannesburg

DIFFICULT trading conditions contributed to a sharp fall in earnings at OK Bazaars and Afcol, two retail-based subsidiaries of the South African Breweries group, in the year to the end of March.

Attributable earnings dropped 37 per cent at OK Bazaars, the mass merchandising supermarket chain, and by 35 per cent at Afcol, the furniture group. OK Bazaars decided to pass its final dividend, while the overall dividend at Afcol dropped to 53 cents per share from 81.5 cents.

OK Bazaars said the group, with its considerable exposure to the mass consumer market, had been particularly hard hit, especially by escalating unemployment and the negative response to the introduction of VAT. Turnover was only 5 per cent up at R5.04bn ($1.8bn).

Operating income, however, was down 27 per cent to R43.3m. High interest rates and higher borrowings saw the interest bill of R46.8m exceed operating profit. However, a R13.5m tax credit allowed the group to make a R9.3m attributable profit, down 37 per cent on 1991.

The higher borrowings meant the gearing ratio jumped to 111 per cent from 71 per cent. Management says "strenuous action" has been taken to restore this to more appropriate levels.

The group closed 23 stores during the year.

Afcol's profits were hurt by a severely depressed furniture market. Output in the furniture manufacturing industry fell 17.4 per cent in real terms during 1991 – the worst decline in a decade.

OK Bazaars made no profit forecast, but said a recent restructuring of the group would allow improved marketing strategies.

Japanese turn to US securitisation sources

By Emiko Terazono in Tokyo

JAPANESE manufacturers such as Nissan, the automotive maker, Kobe Steel and Kawasaki Steel, are increasing fund procurement through US securitisation agencies.

With the current stock market slump preventing fund-raising through equity, companies are keen to pursue alternative measures. They are also under increasing pressure to collect receivable credits, as the slowing economy is affecting cash flow.

Securitisation of sales credits is restrained in the domestic financial markets, as securitisation agencies are not permitted under current laws. The Securities and Exchange Act, the Japanese version of the US Glass Steagall Act, also defines repackaged assets as certificates, preventing the instruments from being traded as securities.

The increase in demand for sales credit securitisation may quicken the removal of legal barriers, currently under review by the Ministry of Finance.

Nissan said it securitised Y25bn per month of receivable credits from its parts-makers, through US securitisation affiliates of Fuji Bank and Industrial Bank of Japan.

Kawasaki said its monthly balance of receivable credits securitised through Citicorp totalled Y130bn. Kawasaki said securitisation was an important means of removing assets from their balance sheets.

Non-bank leasing and financing companies, which cannot issue commercial paper, are also securitising their receivable credits in the US as an alternative to bank loans.

US food group buys Canadian flour miller

By Bernard Simon in Toronto

ARCHER DANIELS Midland, the US agri-business group, has taken another step towards integration of North America's food processing industry by agreeing to buy Canada's biggest flour miller.

ADM, which has made several acquisitions in Canada over the past year, will pay an undisclosed sum for Ogilvie Mills of Montreal. The seller is John Labatt, the Canadian food processing group.

Ogilvie has annual revenues of about C$275m (US$231m) with mills in Quebec, Alberta and Ontario. The company is also one of the world's largest producers of wheat starch and gluten.

Canada's bureau for competition policy turned down a proposal last year to merge Ogilvie with the milling interests of Maple Leaf Foods, controlled by Hillsdown Holdings of the UK. The two Canadian companies had argued that the merger was necessary to compete against the big US millers. But the government was concerned about the stranglehold which the combined company would have on the domestic market.

Maple Leaf subsequently turned to a leading US miller to protect its flour-milling business. It recently formed a joint milling venture with ConAgra of Nebraska.

Mexico to sell Telmex shares

THE Mexican government is to sell 500m L shares in Telmex, the national telephone company, on May 12 and 13, and hopes to conclude the offering on May 18. At current market prices it is worth $1.4bn, writes Damian Fraser in Mexico City.

It represents 4.72 per cent of Telmex equity, and 6.54 per cent of the L shares. The government will sell 54 per cent of the shares in the US and 8 per cent in Mexico.

After the latest offering the Mexican government will hold 4.58 per cent of Telmex.

Refitted Bond flagship nears relaunch

Kevin Brown examines the new-look, slimmed-down, renamed Southern Equities

Bond Corporation Holdings, Mr Alan Bond's quoted flagship, is likely to be relaunched later this year following approval from the Australian Securities Commission (ASC) for a change of name to Southern Equities.

The company's impending re-emergence contrasts starkly with the fate of Mr Bond, the best known of Australia's 1980s entrepreneurs, who was declared bankrupt last month after losing a year-long court battle.

Mr Peter Lucas, chairman of Bond Corp from September 1990 until last month, says Southern Equities will bear little resemblance to Mr Bond's company.

"We have sold many of the assets to repay debts, and the group is obviously much smaller than it was, but the really important thing is that despite all the things that happened, we are still here," he says.

"Sure, it is with the good grace of our creditors, but nevertheless we were able to convince them that this was the best way forward. That is very different to what happened to some of the other entrepreneurial groups."

Mr Lucas, a Sydney lawyer, resigned last month after steering the group through the traumatic 18 months since Mr Bond quit under pressure from shareholders and creditors.

Mr Lucas's resignation clears the way for a new management team to take over after the completion of a financial reconstruction which will transfer 90 per cent of the company's equity to creditors and bondholders.

The distribution of shares is expected to take place as soon as the administrators of the company's scheme of arrangement finish investigating claims from creditors, probably by the end of June.

The principal shareholder is expected to be Australian Consolidated Investments (Acil), formerly Mr Robert Holmes à Court's Bell Resources, which will emerge with 11 per cent of the expanded equity. Mr Bond's shareholding will fall from 52 per cent to 5.6 per cent.

Shortly after the redistribution, the company will be renamed and its A$1.9bn (US$1.43bn) debt burden will be written off in return for a payment of A$190m to creditors – an effective payout of 10 cents in the dollar.

Mr Lucas, who remains a consultant to Bond Corp and a member of the management committee which has run the company for the last year, says completion of the reconstruction will be the trigger for a fresh start, following the disposal of much of the group's former A$10bn in assets.

The disposals included Bond Media, the group's television and radio arm which was sold to Mr Kerry Packer, and Bond Brewing, once Australia's biggest brewer, which is now controlled by Lion Nathan of New Zealand.

The value of the group's remaining assets will remain unclear until the 1991/92 accounts are published, probably in the second half of the year. But its main assets are:

- A 1.5 per cent shareholding in BSkyB, the UK satellite television business, and convertible loan stock worth £350m (US$619m). The shareholding is mortgaged, but Bond Corp says it hopes for some return as BSkyB moves into profit.
- A 5.3 per cent stake in G. Heileman, the US brewery once owned by Bond Corp, which was placed under Chapter 11 bankruptcy protection after being unable to service its debts.
- About A$25m in cash, mostly held by Bond Corp subsidiaries, which the group is unable to access until the redistribution of shares has taken place.
- Land in New South Wales, Queensland and Western Australia, some of which could be sub-divided for property development. The group also retains small investments in a handful of public companies.
- Potential tax losses of several hundred millions of dollars as a result of its A$2.2bn loss in 1990, although it is unclear how the losses will be treated by the taxation office.
- A A$500m claim for damages against the Western Australian government and two local politicians over a failed attempt to establish a petrochemical industry in the state.

Mr Lucas says Bond Corp remains interested in the petrochemical project, which collapsed in September 1989 when the state government withdrew its support following local criticism of the deal.

Bond Corp, which paid A$400m to buy Petrochemical Industries (Picl) from the Western Australian entrepreneurs Mr Laurie Connell and Mr Dallas Dempster, claims the government acted in bad faith.

However, Mr Lucas says the group believes the project remains viable, and wants to help the state tap the strong demand expected to develop in Asia for the caustic soda, ethylene di-chloride and PVC the plant would produce.

"I believe Australia has got a window of opportunity in the next five years to get this thing up and away. Sooner or later, industrial expansion in China, Korea and Indonesia will create a huge demand for these products," Mr Lucas says.

"Whether Bond Corporation Holdings could be involved would depend on the Western Australian government and the other joint venture partners. But our discussions with potential investors indicate it could be viable."

Mr Lucas says Bond Corp has substantial expertise which could be made available to the Western Australian government, together with "the capacity to influence the potential participants".

The state government is also believed to be considering a revival of the project, but is unlikely to want Bond Corp to play any part unless an out-of-court settlement of the damages claim can be reached.

Both sides deny suggestions a settlement is being prepared. Mr Lucas says Bond Corp is "open to compromise, but will not retire without proper compensation".

Tony Andrews

Peter Lucas, ex-chairman of Bond Corporation: "Despite all the things that happened, we are still here"

Texas Instruments unveils fast microprocessor

By Louise Kehoe in San Francisco

TEXAS Instruments announced a fast new microprocessor to be used in a new range of Sun Microsystems workstations which are expected to be introduced later this month.

The Supersparc chip will give Sun workstations a much needed performance boost. The workstation market leader has been facing increased competition from Hewlett-Packard and International Business Machines workstations that outpace Sun's current products.

The Texas Instruments chip, jointly developed with Sun Microsystems, will also be used in new mid-range computers planned by ICL of the UK. TI will also offer the chip to other computer manufacturers.

With its announcement yesterday, Texas Instruments has beaten rival Cypress Semiconductor to the punch. Next week Cypress and Sun Microsystems are expected to announce an even faster version of the Sparc microprocessor, although volume manufacturing of the Cypress chip is believed to be several months away.

TI said that eventually its Supersparc will process up to 150m instructions per second (mips), three times the performance of microprocessors used in personal computers. However, this 50MHz version of the chip will not be available until later this year.

Supersparc is the first of a series of microprocessors that are being jointly developed by Sun with Texas Instruments. The companies said they were also working on Sparc chips for low-cost desktop computers as well as a very high performance next generation version of Supersparc.

According to the two companies, by the year 2000, Sparc microprocessors could contain more than 100m transistors, operate at clock rates approaching 1bn cycles per second and deliver performance exceeding 2bn instructions per second.

PUBLIC WORKS LOAN BOARD RATES

Effective May 7

Years	Quota loans* EIP†	At††	at maturity§
1			10⅛
Over 1 up to 2	10⅛	10⅛	10⅛
Over 2 up to 3	10⅛	10⅛	10
Over 3 up to 4	10	10	9⅞
Over 4 up to 5	9⅞	9⅞	9⅞
Over 5 up to 6	9⅞	9⅞	9⅞
Over 6 up to 7	9⅞	9⅞	10
Over 7 up to 8	9⅞	9⅞	10
Over 8 up to 9	9⅞	9⅞	10⅛
Over 9 up to 10	9⅞	9⅞	10⅛
Over 10 up to 15	10⅛	10¼	10¼
Over 15 up to 25	10¼	10¼	10¼
Over 25	10¼	10¼	10¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

INTERNATIONAL COMPANIES AND FINANCE

US retail groups report sales increases

By Nikki Tait in New York

MANY of the largest US retail groups reported fairly strong sales increases in April, adding weight to suggestions that the economy is slowing pulling out of recession.

However, industry observers noted that Easter had fallen in April this year, causing a relatively muted sales improvement last month, and benefiting the April results.

This year's chilly spring weather has also probably dampened sales in certain areas.

Overall, Kmart posted a 5.5 per cent improvement in same-store sales.

The one large retailer to show falling sales last month was Sears, Roebuck. The Chicago-based company said total sales from its domestic stores were 3.9 per cent lower, with same-store sales down by 2.1 per cent. It, also blamed the weather.

Sears, which has been the target of shareholder criticism recently and holds its annual meeting next week, is showing a modest 2.8 per cent increase in same-store sales for the first 13 weeks of its financial year. Its shares fell $1¼ to $42⅛.

Other mainstream department store group all posted increases last month.

Dayton Hudson saw same-store sales rise by 3 per cent, while May Department Stores managed a 5.9 per cent rise. J.C. Penney, boosted by strong clothing sales, saw a 14.5 per cent rise, while Woolworth reported a 14.8 per cent increase from comparable domestic stores.

The Gap, the specialty clothing chain which seemed to stumble slightly in March, also posted a double-digit sales increase – up 30 per cent overall and 13 per cent on a same-store basis.

Meanwhile, Wal-Mart, the aggressive discount chain which is now the nation's largest retailer in sales terms, reported a 13 per cent advance in same-store sales.

The April sales figures pushed share prices in the retail sector generally higher – Sears being the exception. The Gap gained $2 at $42½, Wal-Mart was up by $⅝ at $52⅛, Dayton Hudson improved by $¾ to $63¾, and J.C. Penney added $¾ to $68¼.

TWA reduces operating loss

TRANS World Airlines, the bankrupt carrier owned by Mr Carl Icahn, posted another operating loss in March, although the deficit was sharply reduced from the losses seen in the first two months of the year, writes Nikki Tait.

According to documents filed with the bankruptcy court, TWA made an operating loss of $15.1m in March, against a $49.3m deficit in February and a $34.1m loss in January. Revenues in March rose to $311.6m, against $259m in February, while operating expenses rose to $326.7m from $308.3m .

TWA's after-tax results benefited from a $46.4m gain from asset sales, allowing it to post an $11.3m profit, against a $46.5m deficit in February.

Iveco held back by losses at Spanish operation

By John Griffiths in Hanover

IVECO, Fiat of Italy's commercial vehicles arm and Europe's second largest truck maker, expects another loss this year, for the second year in succession.

This follows a so-far undisclosed loss for 1991 which "will be a lot smaller than many expect," according to Dr Giancarlo Boschetti, chief executive.

Dr Boschetti declined to elaborate on the potential size of the losses. The net profit of Dutch-headquartered Iveco had already slumped to Fl 23m ($12.7m) in 1990 from Fl 590.9m a year earlier.

However, Dr Boschetti said Iveco, which built 124,000 vehicles last year and claims just over one fifth of Europe's total truck market, could have made an operating profit in 1991 but for continuing losses at its Spanish acquisition, Enasa.

Iveco acquired a majority stake in Enasa, which also includes UK-based heavy truck maker Seddon Atkinson, early last year and has committed nearly £250m ($425m) to its restructuring.

Speaking before Iveco's new heavy truck range, the Eurotech, makes its debut at the Hanover commercial vehicle exhibition today, Dr Boschetti said Iveco had fully expected it would take three years "to turn Enasa round".

As part of the recovery programme for Enasa, its Valladolid plant near Madrid is being used as one of two production bases for the Eurotech range, the other being Ulm in Germany.

However, Iveco has also suffered financially from adverse conditions in several markets, notably the UK.

Iveco Ford Truck, which Iveco owns jointly with Ford of the US, and over which Iveco has management control, itself made a net loss of £38.6m last year, as a result of the UK truck market falling into its steepest decline since the Second World War, with sales last year falling to their lowest level since 1954.

Iveco has lost some 7,000 jobs in pursuit of higher productivity over the past several years, and plans no let-up in seeking further productivity gains.

However, Dr Boschetti said that Iveco expected to achieve this without resorting to significant redundancies.

Dr Boschetti said that it was highly unlikely that Iveco would seek further acquisitions after Enasa, had been fully absorbed.

The Eurotech trucks range marks one of the final stages of a L5,000bn ($4bn) investment by Iveco over the past five years, effectively to renew its entire product range and update manufacturing facilities.

Momentum Life, RMB in link-up

By Philip Gawith in Johannesburg

MOMENTUM Life, South Africa's fifth largest life insurance company, and Rand Merchant Bank (RMB), one of the three main merchant banks, have joined forces to create an independent financial services group.

The deal will create a group with assets of over R10bn ($3.57bn) and a market value of about R750m. It will be independent of all the main large life offices and conglomerates which dominate the South African financial services sector.

Ultimate control will rest with the directors and management of the RMB group who control RMB Holdings, parent company of RMB.

The deal brings together a relatively young life office – Momentum is 25 years old – that has grown mainly by acquisition, and a merchant bank renowned for its aggression in the market.

The tie-up arises out of the recent merger between the two banks Absa and Bankorp, announced in January. One of the consequences of the deal was that Sankorp, the industrial arm of the Sanlam insurance group, was to buy control of Momentum from Absa and Rembrandt, the tobacco group, who between them held 59 per cent of the shares.

Momentum management, however, was given the option of choosing an alternative partner, outside the life assurance industry, and they chose RMB.

The deal is in two parts. RMBH will pay R180m – 41m Momentum ordinary shares at R4.40 per share – to acquire the 58.7 per cent of Momentum held by Absa and Rembrandt. Momentum will then pay R385.6m to buy RMB, satisfied by the payment of R154.2m cash and R52.6m Momentum ordinary shares.

RMBH will hold 76.4 per cent of Momentum which will hold 100 per cent of RMB. Momentum will remain a listed company and RMBH will be listed in the later in the year.

Tyco Toys set to acquire Matchbox

By Karen Zagor in New York

UNIVERSAL Matchbox Group, the Hong Kong-based maker of Matchbox die-cast miniature cars and trucks, is to be acquired by US toy maker Tyco Toys in a deal valued at about $135m.

Tyco has offered Matchbox common shareholders $10.75 a share, including $8 in cash and Tyco common stock. Matchbox, which last year had earnings of $1.62m on sales of $167.5m, is controlled by the company's chairman Mr David Yeh, who holds more than 60 per cent of the company's shares. Mr Yeh, who has agreed in principle to the acquisition, is expected to join the Tyco board after the deal is completed.

If the deal goes ahead, it will make Tyco the third biggest US toy company and will give the Mount Laurel, New Jersey-based company access to Matchbox's distribution chain in overseas markets such as the UK and Germany.

Tyco had its eye on the international market in recent years. Only last week, it announced plans to establish a German subsidiary to handle the sale and marketing of Tyco products in Germany. Similar subsidiaries have been set up in the UK, Benelux, Luxembourg and France. Only about 13 per cent of the company's $548.7m annual sales come from overseas, against about 50 per cent of sales for Hasbro and Mattel, the two biggest US toy companies.

On Wall Street at midday, shares in Tyco added $⅛ to $44, after rising only $⅛ a day earlier on the news. Universal Matchbox Group slipped $⅛ to $9⅞ after climbing $3⅝ the previous day.

Republic in cash, equity bid for Orion

By Alan Friedman in New York

REPUBLIC Pictures, a small independent film producer and distributor that also owns a large home video distribution business, has become the latest company to offer itself as the saviour of Orion Pictures, the independent Hollywood studio that filed under US bankruptcy law last year.

The bid from Republic – which would offer Orion creditors a complex package of cash and equity measures – comes just two weeks after New Line Cinema ended it efforts to rescue and acquire the troubled Orion.

New Line, another independent, said the kinds of demands made were too difficult.

Orion, the studio that became famous for its nurturing of Woody Allen, filed last December for protection from creditors under Chapter 11 of US bankruptcy law.

At the time of its filing Orion – 68 per cent owned by Mr John Kluge's Metromedia group – had been troubled by nearly $700m of debts and a severe cash crunch.

Republic Pictures would take over $400m of commitments to creditors by Orion and would offer creditors a secured interest-bearing note of $150m to be issued by the merged company. Republic would also offer creditors 10 per cent of the common stock of the merged company.

Mr Paul Wagner, an Orion executive, said the Republic offer "looks good on the surface" and would be reviewed by the company. Any such deal would require the approval of Orion, its creditors and the New York bankruptcy court.

In its 1991 fiscal year Orion lost $102.1m. In its last quarterly results Orion lost $29.2m on revenues of $94.8m. Republic Pictures made a meagre net profit of less than $1m in fiscal 1991 on revenues of $81.6m.

General Dynamics to sell missiles unit

By Martin Dickson in New York

GENERAL Dynamics, the second largest Pentagon contractor, aims to sell off businesses which contribute about one quarter of its revenues – including its large missiles operation – in a radical plan to cope with the shrinking defence market.

It is in the final phase of negotiating the sale of the missiles business, and could announce a deal soon, Mr William Anders, the chairman, said.

Mr Anders, who has been sharply reducing the size of the company since he took over as chairman in 1991, told the annual meeting that General Dynamics would adapt to the "new realities" of the defence market by concentrating on four core areas: tactical aircraft, nuclear submarines, armoured vehicles and space launch systems.

It recently sold its Cessna business aircraft subsidiary to Textron, and has adopted a "plan of contraction" which involves selling other non-core businesses accounting for some $2.3bn of the group's $8.7bn of annual revenues.

The list is headed by the missiles operation, which had sales last year of $1.3bn and consists of an air defence systems division, which makes tactical products such as the Stinger and Standard missiles; and a section of the group's Convair subsidiary, which makes Tomahawk sea-launched cruise missiles, used during the Gulf war.

Mr Anders said that the missiles business had been seriously considered as a potential core business. However, it could not become the leader in a field which included nearly a dozen firms in the US alone.

Other parts of the group up for sale include the remainder of Convair, which makes fuselages for the McDonnell Douglas MD-11 commercial aircraft; the electronics division, which is a leading producer of avionics test equipment; and a materials division which produces aggregates, concrete, lime and coal.

Mr Anders' strategy is radically different from that of most defence contractors, which have reacted to the shrinking Pentagon budget by trying to diversify into non-defence areas. He said the benefits of diversification were "largely illusory".

Chiron wins FDA approval for cancer drug

CHIRON, the US biotechnology company, has received approval from the US Food and Drug Administration to market Interleukin-2, a long-awaited treatment for aggressive kidney cancer, writes Louise Kehoe in San Francisco.

The approval marks the end of an eight-year struggle to bring to the US market what had widely been regarded as one of the most promising products of the US biotechnology industry.

Interleukin-2 will be sold under the brand name Proleukin.

Managed futures industry given first break

US regulators have proposed a rule to ease constraints on commodity pool money, writes Barbara Durr

The managed futures industry is about to get its first big regulatory break in America.

The Commodity Futures Trading Commission (CFTC) has proposed a rule – known as 4.7 because of its place among the agency's regulations – that will allow commodity pool operators to offer unit shares to institutional investors without the complicated disclosure, reporting and record keeping entailed when such products are offered to the ordinary investing public.

The managed futures industry, which has mushroomed from an estimated $250m business in 1980 to one with over $21bn under management, has been pressing for this and other regulatory changes for several years. It argues that US regulation has begun to stunt growth, particularly with regard to institutional customers, which represent the greater part of business.

Institutional customers and wealthy individuals are those most interested in privately placed pools, but until now American regulatory constraints have put US pools at a disadvantage. Consequently, commodity pool money has moved increasingly offshore.

For example, Chase Manhattan, the only bank that offers commodity pools, says that 75 per cent of the $200m it has in pools is offshore. Mr Charles Minnaar, chief of Chase's managed funds group, says that offshore pools have been preferred because under US regulation "it takes an incredibly long time to bring a product to market". A private placement offshore is also less expensive.

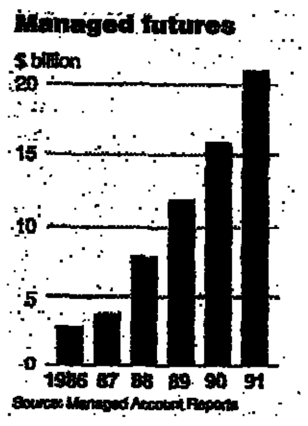
An offshore fund can be put together quickly at costs of about $10,000-$20,000, while a US private placement of a commodity pool can easily take six months and run to over $50,000.

All of this would be expedited and made less costly by Rule 4.7. It would exempt private offerings from the usual requirements of disclosure and record-keeping for what the CFTC calls "qualified eligible participants" – such as banks, pensions funds, insurance companies and high net worth individuals.

Those who qualify under the CFTC's guidelines, are assumed to be sufficiently knowledgeable of the risks of futures trading.

The CFTC says its proposal is intended to harmonise its rules with those of the Securities and Exchange Commission, the US securities industry regulator. The SEC has had an "accredited investor" rule for 10 years. This exempts securities products for sophisticated investors from the usual disclosure and reporting requirements. The harmonisation of rules is particularly relevant to managed futures funds because, while using the futures markets, they are packaged as securities and must be registered with the SEC as well.

While harmonisation makes sense from the regulatory point of view, industry leaders say that the proposed rule 4.7 does not go far enough toward that goal.



Mr Robert Easton, president of Commodities Corp, which has about $1bn under management, says the proposed rule "is an important first step". But, like others in the industry, he contends that the CFTC's standards for determining who is a "qualified eligible participant," or QEP, are too high.

For example, instead of using the SEC's assets tests of accredited investors, the CFTC has doubled or quintupled the standards. For institutional clients, the CFTC has proposed they must have $10m in assets, twice the $5m SEC standard. In the case of individuals, the CFTC has set the assets test at a net worth of $5m, or $1m in margin deposits or option premiums for commodities trading. The SEC only requires an individual net worth of $1m.

Mr David Yeres, a commodities attorney with Baer, Marks & Upham in New York, said: "We have long experience with the securities scheme and it has worked. It seems counter-productive to arbitrarily move the goal-posts."

The industry is happy that at least some relief is on the way. Some pool operators have been given temporary exemptions under the terms of the proposed version of 4.7, pending final approval of the rule.

The industry is pleased overall with the CFTC's recent efforts at regulatory reform. For example, the commission has proposed an increase in speculative position limits for an array of commodities, including some agricultural contracts. It has developed a new two-part disclosure document to simplify the process for pool operators.

An 18-page summary has been culled from some 200 pages of the document and this is followed by a longer, more detailed portion for optional reading.

In recent months, it has allowed exchanges to use average pricing for big orders that have been executed at multiple prices, a helpful step for managed futures funds.

While in line with the Bush administration's new anti-regulatory strategy, the CFTC's moves have been prompted as well by the steady slide of world market share for US futures markets and the tide of money that has rolled into offshore managed futures funds.

The CFTC hopes that streamlining its regulatory scheme can help the US futures industry to regain some lost ground.

RAS rises sharply after special item

By Haig Simonian in Milan

RIUNIONE Adriatica di Sicurta (RAS), the Italian insurance company controlled by Germany's Allianz, raised net 1991 profits by almost a half to L201.5bn ($163m) from L137.9bn in 1990.

However, much of the gain was fuelled by extraordinary items linked to the sale of equity stakes in Austria and Germany and property transactions in Italy. As a result, the dividend will remain unchanged at L300 for ordinary shares and L360 for savings stock.

The company announced a complex rights issue to raise more than L800bn for future investment. RAS will increase its nominal capital by L54bn to L271bn via a one-for-four issue of new ordinary and savings shares, priced at L11,000 and L7,300 respectively.

Shareholders will be offered one warrant, convertible exclusively into savings shares, for every four shares of either category held.

The warrants will be exercisable into new savings shares, priced at L11,000, on the basis of one new share for every two warrants. The warrants will be valid from the beginning of next year until the end of 1995.

The issue was initially poorly received on the Milan stock market, where RAS shares were suspended yesterday. The bourse has been hit by a string of cash calls at a time of particularly poor sentiment towards Italian equities.

However, reactions improved after Allianz confirmed that it would take up its full quota, which would effectively halve the size of the call on the market.

Premium income at RAS went up by 14.2 per cent to L3,247bn for the parent company and by 10 per cent to L6,439bn at group level.

The company said non-life business continued to suffer in Italy, with an underwriting loss of L101bn on motor insurance last year.

Domestically, RAS registered strong gains in premiums, with non-life income rising by 13 per cent to L2,045bn while life insurance rose by 20 per cent to L715bn.

HK exchange alters secondary listing rule

By Simon Davies in Hong Kong

THE Stock Exchange of Hong Kong has approved changes to its secondary listing regulations, enabling the Jardine Matheson group to proceed with proposals to take up a primary listing in London while retaining a secondary listing in Hong Kong.

Under the new secondary listing rules, Hong Kong companies will be permitted to be regulated by a recognised stock exchange, while retaining listing status in Hong Kong. So far, only London has been recognised.

Mr Nigel Rich, Jardine Matheson managing director, welcomed the changes. The proposals will be put before Jardine shareholders at the company's annual general meeting next month and could be implemented three months later. Dairy Farm, Hongkong Land, Jardine Strategic and Mandarin Oriental, members of the group, will follow suit.

The move is conditional on the signing of a written agreement between the London and Hong Kong exchanges governing their respective roles. However, the regulations are broadly similar and an understanding has been reached.

The new rules require companies to have "an adequate nexus" with the primary market; this is broadly defined by having more than 10 per cent of its worldwide share turnover in the proposed primary market during the year prior to application for secondary listing.

Following the rule change in Hong Kong, companies will be able to withdraw their secondary listings after a 90-day notice period, assuming 20 per cent of worldwide trading volume took place in the primary market during the previous year. If less, the notice period is extended to 180 days.

Lego profits gain 15.6% to DKr517m

By Hilary Barnes in Copenhagen

LEGO, the Danish toy construction kit group, increased group sales in 1991 by 14 per cent to DKr4.47bn ($703m) and pre-tax profits by 15.6 per cent to DKr517m.

The family-owned group expressed disappointment at the result saying that sales rose rather less than expected. Sales to retailers rose faster than sales by retailers to customers, resulting in some build-up of retailers' stocks.

The published figures cover only 14 of the 36 companies and 4,100 of the 7,550 employees in the worldwide Lego organisation, which has four parent companies, two in Denmark and two in Switzerland.

Group equity capital increased to DKr1.95bn from DKr1.62bn and assets to DKr3.58bn from DKr3.21bn.

Saga Petroleum set-back blamed on marked fall in crude oil price

By Karen Fossli

SAGA Petroleum, the independent oil company, yesterday disclosed a fall in first-quarter pre-tax profits to NKr187m ($29m) from NKr339m last year due to a marked fall in crude oil prices.

However, group operating revenue rose to NKr1.26bn from NKr1.09bn, helped by higher petroleum production which rose to the equivalent of about 1m tonnes of oil.

Operating profit fell to NKr280m from NKr393m. The reduction in operating profit was due largely to lower oil prices compared with the first quarter of 1991, which was affected by the Gulf war.

There were increased costs relating to expansion in exploration activities and higher field depreciation. A royalty in the Oseberg (oil field) was also reflected in increased costs, the company said.

Saga did not detail exploration costs but said that depreciation had risen by NKr81m to NKr279m. Group operating expenses rose to NKr977m from NKr694m.

First-quarter crude oil sales were lifted to 6.4m barrels from 5.1m barrels in the same period last year.

Saga said that it obtained an average sale price of NKr114 per barrel of oil in the first three months compared with NKr136 last year.

To improve the company's financial structure, Saga said it issued a NKr1bn bond with a 10-year maturity in Norway in January.

● Exportfinans, the export credit guarantee bank owned by the commercial banks, reported a 19 per cent improvement in first-quarter operating profit to NKr87m from NKr73m last year.

Exportfinans explained the increase was due to improvements in asset management and non-recurring income from certain financial transactions. The company said that as a result of balance sheet growth, its capital adequacy ratio declined from 21 per cent at year end to 16.7 per cent at end-March. Loans disbursed in the first quarter were 15 per cent up on last year and totalled NKr598m. Of that, about 65 per cent was extended on market terms while 35 per cent was government-supported credits.

The grant element of mixed credits in 1992 was increased by NKr250m to NKr340m. This, and the adjustment of regulations governing maturities and the proportions that could be financed, provided the industry with a greater opportunity for contracts, the company said.

It said there was increasing interest in export credits on market terms for exports to industrialised countries.

Fokus Bank reduces losses to NKr137.6m

By Karen Fossli in Oslo

FOKUS Bank, Norway's third biggest bank, yesterday reported a reduction in first quarter pre-tax losses to NKr137.6m ($21.4m) from NKr441.7m, helped by lower operating costs, a fall in credit losses and a steady level of earnings.

"The first-quarter result shows clear positive signs. I will specially focus on the point that the bank has been able to maintain earnings in spite of the large, planned reduction in loans which has taken place," said Mr Leif Klevan, managing director.

Net interest income fell by NKr76.6m to NKr286.1m as other operating income rose to NKr150.9m from Nkr149.4m. Fokus cut operating costs by NKr67m to NKr329.4m, helped by a reduction of 317 employees since the end of 1991.

Most significant is a reduction in first quarter credit losses to NKr246.9m from NKr451.2m in last year's comparative period.

Fokus said the influx of non-performing loans had also been stemmed.

The bank stressed that finding a permanent solution to its equity problem remained a high priority.

At the end of last month, the guarantee fund of the commercial banks injected NKr1.83bn in preference capital into the bank to help cover last year's swollen losses.

Last year, Fokus was de-listed from the Oslo bourse and taken over by the state in a NKr2.150bn rescue package after its share capital was wiped out by large losses.

INTERNATIONAL CAPITAL MARKETS

Strike settlement hopes underpin German rally

By Simon London in London and Karen Zagor in New York

GERMAN government bonds moved higher yesterday, encouraged for the second successive day by hopes of a settlement in the dispute between employers and striking public sector workers.

The bund futures contract on Liffe, the London exchange, closed at 87.39, up from an opening level of 87.14, and only just below the high point of the day of 87.44. Volume was heavy at 95,000 contracts.

Talks between public sector workers and employers broke up with the unions considering an improved pay offer, believed to be worth around 5.6 per cent. The government had offered 4.8 per cent, against the union's claim of 9.5 per cent.

However, even if the public sector pay dispute is settled, industrial action in other areas of the economy looks likely. IG Metall, the powerful industrial union, said 65,000 of its members joined a three-hour stoppage yesterday in pursuit of higher pay.

■ FRENCH government bonds pushed strongly higher, as the government moved to ease credit conditions by cutting bank reserve requirements.

In the morning session, prices were weaker as investors took profits following a strong ½-point rally on Wednesday. The Bank of France disappointed some dealers by keeping intervention rates unchanged at 9.6 per cent in regular money market operations. The authorities also drained FFr4.5bn from the money market.

However, the announcement that bank reserve deposits with the central bank had been cut allowed commercial banks to reduce base lending rates by around a ¼ point, to 9.85 per cent.

The benchmark 8½ per cent OAT maturing 2002 rose strongly on the news, closing on a yield of 8.62 per cent, from 8.68 per cent at the opening. The yield spread between the French and German markets at the 10-year maturity closed from 70 basis points to 68 basis points.

■ THE UK government bond market traded within a narrow range, following trends in continental European markets in the absence of new domestic factors.

GOVERNMENT BONDS

The 9 per cent gilt maturing 2011 closed up just 1/16 of a point on the day at 99 5/8, for a yield of 9.02 per cent.

On Liffe, trading volume in the June gilt futures contract was extremely light at 5,000 contracts. The June future opened at 98.20 and traded down to 98.11 during the morning, before recovering in the afternoon to close at 98.22.

One factor helping to support prices was the strength of sterling on the foreign exchange markets. The UK currency rose from DM2.925 at the close on Wednesday to around DM2.94 by late afternoon yesterday.

However, analysts said there was uncertainty over the future direction of UK interest rates. The outcome of the current round of German pay negotiations and the monetary policy set by the Bundesbank would determine whether UK rates can come down again.

The Bank of England said it sold all of the £800m tap issue of 8¾ per cent gilts maturing 1997 announced on Friday.

■ US TREASURY prices drifted lower in a second consecutive session dominated by afternoon Treasury auctions.

At midday, the Treasury's bellwether 30-year bond was 5/32 lower at 100 3/16, yielding 7.98 per cent. Shorter-dated maturities were similarly depressed.

There was some profit-taking ahead of the afternoon sale of $10bn of 30-year bonds in the last leg of the Treasury's $36bn refunding auction. On Wednesday, bond prices moved higher after a successful auction of $11bn of 10-year notes.

The Federal Reserve did not intervene in the open market. Fed Funds were quoted at 3 11/16 per cent during the Fed's usual intervention period.

As well as this week's refunding auctions, the market is also concerned with today's release of employment data for April. There was little reaction yesterday to the release of jobless claims for the week ended April 30, which showed an 11,000 rise to 415,000, in line with expectations.

■ JAPANESE government bond prices rose, encouraged by a 532-point rise in the Nikkei index and favourable terms on the latest auction of 10-year government paper.

The benchmark 10-year government bond issue No 129 closed the Tokyo day on a yield of 5.6 per cent, from 5.635 per cent on Wednesday.

Traders were relieved that the latest Y800bn issue of government paper carries a 5.7 per cent coupon, in line with current market yields. Last week the market sold off on fears the authorities would issue the 5.5 per cent stock unpopular with institutional investors.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	104.9433	+0.543	9.25	9.36	9.76
BELGIUM		9.000	06/01	101.3000	+0.300	8.59	8.67	8.58
CANADA *		8.500	04/02	98.7500	+0.350	8.69	8.86	8.80
DENMARK		9.000	11/00	101.2700	+0.220	8.58	8.62	8.66
FRANCE	BTAN	8.500	03/97	99.2400	+0.505	8.68	8.90	8.85
	OAT	8.500	11/02	99.2300	+0.490	8.60	8.72	8.64
GERMANY		8.000	01/02	100.2000	+0.180	7.96	7.99	7.92
ITALY		12.000	02/02	98.7300	+0.120	12.22†	12.29	12.40
JAPAN	No 119	4.800	06/99	94.5779	+0.167	5.86	6.01	5.93
	No 129	6.400	03/00	104.3420	+0.170	5.61	5.72	5.66
NETHERLANDS		8.250	02/02	99.5600	+0.180	8.30	8.34	8.30
SPAIN		11.300	01/02	102.4000	+0.120	10.58	10.63	10.63
UK GILTS		10.000	11/96	102-20	+01/32	9.27	9.34	10.27
		9.750	08/02	103-90-	+11/32	9.15	9.19	9.91
		9.000	10/08	99-23	+03/32	9.03	9.05	9.66
US TREASURY *		7.500	11/01	100-09	+16/32	7.46	7.59	7.40
		8.000	11/21	100-12	+15/32	7.97	8.04	7.88
ECU (French Govt)		8.500	03/02	99.0900	+0.600	8.64	8.77	8.66

London closing, *denotes New York morning session. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

BAe storms back to market with record $400m offer

By Richard Waters

FOR THE second day running, Eurobond investors rushed to snap up a large, generously-priced dollar bond issue as British Aerospace launched the largest Eurodollar deal yet by a British company.

The five-year, $400m deal – increased from $300m due to demand – marked a storming return by a borrower which had studiously avoided the public markets since its disastrous rights issue last summer and subsequent management upheaval.

INTERNATIONAL BONDS

With its credit ratings recently reaffirmed at A2/A+, and with a new boardroom line-up finally completed, the yield on offer yesterday – 111 basis points over US treasuries – was seen as attractive.

Other similar credits, such as Reed and Ericsson, currently trade at a yield spread of around 90 basis points.

In later trading, the BAe spread tightened to some 106 basis points.

"My philosophy is not to squeeze the last basis point or two out of the Euromarket – it will only come back to haunt you," said Mr Tony Rice, BAe treasurer.

The company had originally planned to raise between $200 and $250m, but was happy to take more. "Liquidity in the bilateral and syndicated London banking market is very low at the moment," said Mr Rice. "This gives us a very strong negotiating position with our banks."

The proceeds were not swapped, though; had they been, the cost to the borrower would have been around 60 basis points over Libor – roughly in line with what the group's banks would expect to earn, said Mr Rice.

Meanwhile, yesterday's $500m sell-out issue for Compagnie Bancaire was priced as expected to yield 75 basis points over Treasuries, and tightened later to a spread of under 72 basis points.

Yesterday also saw a continuing flow of Ecu transactions, although none achieved the success of the Ecu150 deal from Johnson & Johnson the day before.

The most difficult deal to sell was reported to be a Ecu110m issue from Nederlandse Gasunie.

The five-year bonds from the AAA-rated borrower came to the market offering a yield of 8.8 per cent – just below the yield on the benchmark Crédit Local issue, and some nine basis points lower than the level at which the Johnson & Johnson issue had settled.

"It's expensive – it's no gift," said one banker involved in the transaction.

More favourably received was a Ecu150m, five-year issue from Philip Morris – a single-A rated borrower – offering a yield of 9.3 per cent.

The deal was said to be selling well to Swiss and other continental European investors, although, as with the NedGas issue, the syndicate was not broken yesterday. Both issues were brought by Paribas, which also launched the first Ecu issue for the Republic of Turkey.

The Ecu150m, three-year deal, with a yield of 11.55 per cent, was priced to offer a spread of 200 basis points over the three-year swap rate. At that level, it offers a significant pick up over the three-year floating-rate issue from Greece, which yesterday was trading at a spread of under 100 basis points over Libor.

The issue had been marketed in advance to high-yield funds and other investors, and was said to have been well taken up, with the bulk of the issue going to such investors rather than to banks.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Banco Hollandes.Brazil(b)†	50	10	99.55	1994	1¼/½	ABN Amro Bk.
Brit.Aerospace Fin.BV(d)†	400	8	101.50	1997	1⅞/1.6	Goldman Sachs Intl.
STERLING						
Euro.Coal & Steel Comm.(c)‡†	41.5	(c)	100.00	1997	-	BZW
ECU's						
Nedlanndse Gasuine(a)†	110	8.75	101.40	1997	1⅞/1¾	Paribas Cap.Mkts
Phillip Morris Cap.Corp(a)†	150	9.25	101.30	1997	1⅞/1.7	Paribas Cap.Mkts
Republic Of Turkey(a)†	150	11½	99.879	1995	1/¼	Paribas Cap.Mkts
NEW ZEALAND DOLLARS						
Telecom Corp NZ.Fin(e)†	75	9¼	100.40	2002	2⅛/1½	Hambros Bank
SWISS FRANCS						
Naturgas(a)**†	75	7¼	101.625	1997	-	Credit Suisse
Guinness Finance BV(a)**†	75	7⅛	101.375	1997	-	SBC
DSL Bank(a)†	55	7	102.00	1996	-	Merrill Lynch AG.
CANADIAN DOLLARS						
Desjardins Du Quebec(a)	100	9¼	101.15	1997	1⅞/1.575	Wood Gundy

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Coupon payable semi-annually. c) Coupon pays 55bp below 6 month Libor. Fees undisclosed. d) Amount increased from $300m. e) Amount increased from NZ$ 50m. Non-callable.

Contract trading on Eurotrack forced to close

By Sara Webb

FUTURES and options contracts on the FT-SE Eurotrack 100 Index of the top 100 continental European companies will stop trading next month due to lack of demand, the London International Financial Futures and Options Exchange (Liffe) said yesterday.

Liffe said the derivative products would be suspended indefinitely following the expiry of the June 1992 contracts on June 17. "Clearly we are disappointed by the current lack of demand for these products, but we recognised prior to the launch that they may be ahead of their time," said Mr Michael Jenkins, chief executive of Liffe.

The suspension of futures and options based on the FT-SE Eurotrack 100 Index follows a decision by Soffex, the Swiss Options and Financial Futures Exchange, to halt trading in futures and options based on the Eurotop 100 stock index due to poor demand.

Volumes for pan-European index derivative products have proved disappointing; for example, the FT-SE Eurotrack 100 Index futures contract, which was launched in June 1991, had a daily average volume of 13 contracts and has traded a total of 2,802 contracts. By comparison, the FT-SE 100 index future contract, based on the top 100 UK companies, had an average daily volume of 9,200 contracts in April.

The London Stock Exchange has signed agreements with US exchanges – including NYSE, CBOT and CBOE – allowing them to create derivative products based on the Eurotrack 100 Index, but so far none of the US exchanges has done so.

Mr Jenkins said Liffe would "continue to monitor the need for pan-European stock index derivative contracts, with a view to launching suitable products once demand is judged sufficient to ensure a reasonable level of liquidity".

Warrants issued on Argentine bank debt

By Sara Webb

J.P. MORGAN, the New York-based banking group, has launched $100m of call warrants on Argentine bank debt. The deal marks the first time warrants have been issued on the sovereign bank debt of an emerging market borrower.

The warrants give investors the option of buying debt within the next year. Argentina is restructuring its debt, and is expected to convert its bank loans into bonds, by the end of this year or early 1993.

Each warrant can be exercised into $250,000 of Argentine General Restructuring Agreement (GRA) debt without interest. The exercise price is 41.5 per cent of the par value.

Argentina is undergoing a Brady-style debt restructuring, whereby its debt will be converted from loans into bonds. Provided the restructuring goes ahead, investors will be able to exercise their warrants on the bonds.

Bankers familiar with the Latin American markets said the warrants were likely to appeal to institutions and high net worth individuals, and would probably attract Latin American flight capital. "The warrants give a high leverage, which appeals to a lot of Argentine speculators," said one UK banker.

The warrant issue has coincided with a general strengthening of Argentine assets recently, and may have contributed to a rise in the price of Argentina's debt, from 41½ per cent of face value to 43¾ per cent, since Wednesday.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on May 7

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	0	23
Other Fixed Interest	1	5	11
Commercial, Industrial	481	189	783
Financial & Property	286	62	442
Oil & Gas	17	22	49
Plantations	0	0	9
Mines	12	41	94
Others	36	59	44
Totals	889	378	1,455

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'al. Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. z Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings May 1
- Last Dealings May 15
- Last Declarations August 6
- For settlement August 17

3-month call rate indications are also shown on this page.

Calls in Aberdeen Petrlm., BTR warrants 93/94, Budgens, BET, Bank of Scotland, Benson Group, Bunzl, Corporate Services, Mining and Allied Supplies, NSM 8½pc Conv. Loan, Proteus Intl., Saatchi & Saatchi, Tarmac and Wilshaw. Puts in Midland & Scottish Res. and NSM 8½pc Conv. Loan. Puts and calls in ASDA.

LIFFE EQUITY OPTIONS

[illegible]

May 7 Total Contracts 52,978
Calls 34,270 Puts 18,708
FT-SE Index Calls 11,314 Puts 5,728
Euro FT-SE Calls 439 Puts 132
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p
■ INDUSTRIALS	
Allied-Lyons	49
Amstrad	6½
Astec (BSR)	3
BAT Inds	10
BOC	53
BTR	32
Barclays	28
Blue Circle	25
Boots	39
Bowater	60
Brit Aerospace	28
British Steel	6½
Brit Telecom	24
Cadburys	33
Charter Cons.	37
Comm Union	34
Courtaulds	39
Eurotunnel	29
FKI	6
FNFC	7
Forte	21
GKN	30
Gen Accident	38
GEC	15
Glaxo	59
Grand Met	35
GRE	12
Hanson	18
ICI	95
Ladbroke	14
Legal & Gen	22
Lex Service	18
Lloyds Bank	32
Lonhro	12
Lucas Inds	12½
Marks Spencer	27
Midland Bank	30
NatWest Bank	28
P & O Dfd	37
Racal Elect	5
RHM	18
Rank Org	55
Ratners	2½
Reed Intl	44
Sears	9
SmKl Bchm A	60
TI	48
TSB	11½
Tesco	22
Thorn EMI	63
T & N	11½
Unilever	70
Vickers	13
Wellcome	80
■ PROPERTY	
Brit Land	19
Land Sec.	34
MEPC	26
Mountleigh	1½
■ OILS	
Aviva Pet	25
BP	20
Burmah Castrol	44
Conroy Pet	7
Gaelic Res	½
Premier Cons	2½
Shell	33
Tuskar Res	½
■ MINES	
RTZ	47

Labour questions whether the MMC's 'competition' approach will be changed

Brown presses Heseltine on takeover policy

By David Owen

PRESSURE ON Mr Michael Heseltine to spell out his policies on mergers and acquisitions increased at Westminster yesterday, following the announcement that the proposed takeover of Midland Bank by Hongkong and Shanghai Bank appears to fall within Brussels' jurisdiction.

Mr Gordon Brown, shadow trade and industry secretary, called on the president of the board of trade to explain "exactly what his policies are for takeovers".

THE BATTLE FOR MIDLAND

Mr Heseltine "must tell us what he now believes on takeover policy and what action he proposes to take with these bids".

Mr Brown's challenge follows the tabling by Ms Marjorie Mowlam, Labour frontbench spokeswoman on City and corporate affairs, of four written questions relating to the battle for Midland and Mr Heseltine's thinking on takeovers in general.

The questions include whether Mr Heseltine proposes changes to the Monopolies and Mergers Commission's present approach in which "the implication for competition is the sole criterion taken into consideration".

Interviewed by the Financial Times earlier this week, Mr Heseltine insisted that any change in the so-called Tebbit doctrine would require a collective decision by the cabinet. "I have inherited a set of [merger] policies; until and unless any announcements are made, those policies prevail."

Brussels' indication that the Hongkong Bank bid was likely to fall within its jurisdiction was meanwhile welcomed by one prominent Conservative backbencher who described it as "the right approach".

Michael Heseltine: the inherited policies prevail

Mr Tim Smith, who served as vice-chairman of the Tory backbench finance committee in the last parliament, said that, since the Hongkong bid did not involve domestic competition issues, it was a matter for the EC to deal with.

Gordon Brown: challenge follows written questions

"As far as the UK market is concerned, Hongkong have made it clear that they do not propose to make many changes to Midland so there wouldn't be any impact on competition in the high street," he said, speaking on BBC Radio 4.

Mr Smith called for the possible Lloyds bid for Midland to be investigated by the Monopolies and Mergers Commission, however.

"We have only got four major clearing banks and I think if you are talking about one taking the other over and then taking it out completely, you are definitely reducing competition," he said.

Mr Smith is understood to have played a leading role in offering Hongkong and Lloyds an opportunity to meet Conservative backbenchers next week.

Other Tory backbenchers are privately expressing misgivings about the competitive and employment implications of a marriage between Midland and Lloyds.

One said yesterday that he found it "difficult to imagine" that reducing the number of main clearers to three would improve already inadequate competition in the domestic corporate banking sector.

EC reluctant to 'refer back' Hongkong Bank bid

By David Buchan in Brussels

THE EUROPEAN Commission is reluctant to refer any big takeovers such as Hongkong and Shanghai Bank's bid for Midland back to national competition authorities to vet, for fear of undermining its 1990 merger powers for which it fought so long.

Yesterday's announcement by Sir Leon Brittan, the EC Competition Commissioner, that the Hongkong bid for Midland falls within his jurisdiction is the result of an arithmetic formula in the EC regulation. This is far more complicated to calculate for banks than manufacturing companies.

Essentially, a bank merger must answer three criteria to be vetted by Brussels:

- Ten per cent of joint global assets must total Ecus 5bn (£3.5bn) or more.
- The above figure has to be multiplied by the share of each bank's EC loans and advances as a proportion of global loans and advances. The resulting figure must amount to Ecus 250m for each bank. This is to show that the banks do substantial business in the Community.
- The 10 per cent of joint global assets has to multiplied by the share of each bank's home country loans and advances as a proportion of its EC loans and advances. The resulting figure must show that banks do no more than two-thirds of their business within one EC state; if they do, the merger is not considered to be of EC interest.

It is small wonder, therefore, that while the Hongkong bid for Midland was notified to Brussels on April 23, Sir Leon's officials took until yesterday to calculate that the bid fell within their jurisdiction. They have, though, had some practice with banks – having already ruled on, and cleared, three bank mergers involving two US, two Japanese and two EC banks in a joint venture in eastern Europe.

At the insistence of Germany, the EC state with the most highly developed anti-trust law, the 1990 merger regulation allows for a national competition authority to have a case referred back from Brussels, provided that it would clearly create or reinforce a dominant position,and that the dominant position would be entirely within that one state.

Germany has asked for two cases – the links between Varta Bosch, and between Alcatel and AEG-Kabel – to be returned to it. Brussels has refused both times.

However, in February Sir Leon did refer back to the UK the Steetley-Tarmac merger. The rival bid of Redland for Steetley did not come within the EC remit, and Sir Leon said at the time that in general "it is much better for related cases to be dealt with by one regulatory authority if at all possible."

The key to the Steetley-Tarmac referral was the Commission's judgment that the bid would have created a high concentration, but that the market for the product in question - bricks - was essentially local, even inside the UK. It seems most unlikely, to EC officials, that such a line of argument can be made for referring back the Hongkong bid for Midland.

Sir Leon Brittan: complicated arithmetic formula puts the takeover offer within his jurisdiction

Nationwide denies split with GRE

By David Barchard

NATIONWIDE, the second largest building society, yesterday denied that it was about to sever a two and a half year old agreement to sell Guardian Royal Exchange life assurance policies because of the poor performance of GRE with-profits endowment policies.

The tie is not due to end until late 1994. "There is no change in prospect," the society said yesterday.

"We are not conducting any urgent review of our tie with GRE, though like any other business we do keep a general watch our business relationships," Nationwide said.

He declined to comment on reports that top level management changes may be on the way soon at the society. Nationwide's results for 1991-92 are due to be announced early next month.

Analysts are forecasting a sharp drop in pre-tax profits from £285m last year, though sources close to the society say that its performance may turn out to be better than generally expected.

United Uniform ahead at £3.4m

In spite of tough trading in its fourth quarter, United Uniform Services, the manufacturer and distributor of uniforms throughout the US, increased pre-tax profits for 1991 by 28 per cent.

The advance from £2.66m to £3.4m was achieved from sales 80 per cent higher at £53.7m.

The comparable figures included only a seven months contribution from Horace Small, one of the largest manufacturers of tailored uniforms in the US.

Following the acquisition in October of Loev Brothers, a supplier of uniforms in eastern Philadelphia, profits are expected to benefit as Horace Small increases its share of supplies to Loev from 10 per cent to 35 per cent.

The total dividend is doubled to 3p via a final of 2p.

BM spins off ten subsidiaries in £40m deal with offshoot

By Jane Fuller

BRITISH Building and Engineering Appliances, which is 75 per cent controlled by BM Group, is buying 10 building-related subsidiaries from BM for £40m in shares.

BM, the construction equipment and engineering concern, increased its stake in BB&EA in March at 355p a share.

It said it would introduce into it first senior managers from its building products division and then a series of subsidiaries.

The list of companies being sold to BB&EA includes three under the Kass name, Simplex Piling. Birchwood Concrete Products and Boddis (Old Hill).

One of the areas identified for expansion is the hiring out of small pieces of plant.

BM is placing a quarter of the 10m BB&EA shares it will receive at 400p each to bring its holding down to 75 per cent.

Dealings in BB&EA's shares were suspended at 475p.

The near-£10m realised will be used to reduce debt.

BM's gearing was nearly 45 per cent after the January acquisition of Thomas Robinson and an accompanying £60m rights issue.

The building products companies involved in the BB&EA deal made a pre-tax profit of £6.38m on turnover of £45.4m in the year to June 30 1991.

In the six months to December, the corresponding figures were £2.56m and £17.9m, and net assets stood at £20.5m at the end of the period.

BM as a whole made an interim pre-tax profit of £17.3m, up 28 per cent, on turnover of £229.3m.

The spinning off of the building products businesses has been likened to the formative years of BM.

The building group Beazer – now part of Hanson – lent its backing to Mr Roger Shute, BM's chairman, in the early 1980s.

It introduced him along with its plant sales and engineering activities into Braham Millar, an ailing listed company, and then gradually reduced its interest.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust New Thai ......fin	1	July 2	0.9	1	0.9‡
Albany Inv Tst ......fin	2.65	July 9	2.5	3.9	3.7
Bellway ......int	4†	July 3	4	-	11
BMSS § ......fin	2.7	June 30	2.7	4.7†	4.7
BP ......int	4.2★	Aug 7	4.2	-	16.8
Cont Stationery ......fin	1.6	Aug 6	2.8	2.4	4
Delyn ......fin	1	July 18	1	1.45	1.45
Euromoney ......int	8	June 5	6.5	-	22.5
First Ireland ......fin	1.18	July 10	1	1.18	1
Glasgow Inc Tst ......int	0.6‡	Aug 31	0.6	-	3.2
Highcroft Inv ......fin	2.85	July 3	2.4	4.5	3.9
Hi-Tec Sports ......fin	3.85†	July 22	3.5	5.5	5
MMT Computing § ...int	1.1	July 6	1	-	3.2
PWS ......int	1.5	July 1	1.5	-	4
Sears ......fin	3.83	July 3	3.83	5.355	5.355
Tilon § ......int	1.13	July 1	1.03	-	3.25
Utd Uniform ......fin	2	July 1	1.5	3	1.5
Whitbread Inv ......fin	10.8	July 24	9.95	15	13.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Excludes special of 0.55p. ★First quarterly distribution. ‡Second interim making 1.2p to date.

LEGAL NOTICES

Co. No: 1813529 Registered in England
MARATHON CONTRACTS LIMITED
(Joint administrative receivers appointed)
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham on Monday 18 May 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than noon on 15 May 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable. Signed: Ian N Carruthers and David R Wilson. Joint administrative receivers. Dated: 30 April 1992.

IN THE HIGH COURT OF JUSTICE
CH NO. 004198 OF 1992
CHANCERY DIVISION
IN THE MATTER OF
LEISURETIME INNS PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that a Petition was on 24th of April 1992 presented to Her Majesty's High Court of Justice for the confirmation of (i) the reduction of capital of the above named Company from £10,500,000 to £5,287,600 and (ii) the cancellations of the Share Premium Account of the Company amounting to £249,000.
AND NOTICE IS FURTHER GIVEN that the said Petition is direct to the be heard before The Honourable Mr Justice Millett at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 18th day of May 1992.
Any creditor or shareholder of the said Company desiring to oppose the making of an order for the confirmation of the said reduction of capital should appear at the time of the hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the sam by the under-mentioned Solicitors on paym ent of the regulated charge of the same.
Dated the 8th day of May 1992
Lawrence Graham
190 Strand, London WC2R 1JN
Solicitors for the above named Company

In the Matter of The Insolvency Act 1986
and in the Matter of
BEE JAY UK LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a MEETING of the CREDITORS of the above-named Company will be held at 3/4 Mulgrave Court, Mulgrave Road, Sutton, Surrey SM2 6LF on Thursday 21st May 1992, at 11.30 am for the purpose mentioned in Section 99 et seq of the said Act. CREDITORS wishing to vote at the Meeting must lodge their Proxy together with a full statement of account (Proof of Debt) at the Registered Office of the Company, not later than 12.00 noon on 20th May 1992. Secured Creditors, for the purposes of voting, must (unless they surrender their Security) lodge particulars of their Security and its assessed value. NOTICE IS FURTHER GIVEN that A.P.M. Benedict FCA MIPA of Benedict McQueen, 3/4 Mulgrave Court, Mulgrave Road, Sutton, Surrey, will furnish Creditors with such information concerning the Company's affairs as they may reasonably require prior to the above-mentioned Meeting.
Dated this 6th day of April 1992.
By Order of the Board.
J. SCOTT, Director.

CONTRACTS & TENDERS

THE INSOLVENCY ACT 1986
Company Number: 1373636
SECURIFIX LIMITED
Nature of Business: Supply and installation of security and anti-theft devices and equipment.
Trade Classification: 46
NOTICE IS HEREBY GIVEN, pursuant to S46(1) of the said Act, that on 9th April 1992 Peter Scholey Dunn and David Alistair Wood of 45 Conduit Street, London W1 were appointed Joint Administrative Receivers of the above company by National Westminster Bank Plc.
P. S. Dunn, D. A. Wood, Joint Administrative Receivers
(Office Holder Numbers 2368 and 2062)
Dated this 16th day of April 1992

Environmental fashion in US gives a leg-up to sports shoe group

Hi-Tec advances 10% to £9.06m

By Peggy Hollinger

THE ENVIRONMENTAL look helped propel Hi-Tec Sports, the designer and distributor of sports shoes and leisure wear, to pre-tax profits of £9.06m, a rise of 10 per cent, for the year to February 2.

Mr Frank van Wezel, chairman, said the trend in US sports shoes was benefiting the group, which supplies a leading range of street hiking boots. "They are walking around looking very green, as if they had just come off the nature trail," he said. "That has served us very well in the US."

Trading in the UK remained difficult, he said, citing the performance of Sears, one of the group's main customers. However, the group was optimistic and had "budgeted for a healthy second half".

Mr van Wezel said the programme of widening the geographical spread had borne fruit, with turnover 7 per cent higher at £127.8m. "The bad news from the UK was very much compensated by good news from North America," he said.

Operating profits in North America rose 53 per cent to £1.9m, while sales advanced 42 per cent to £22.6m.

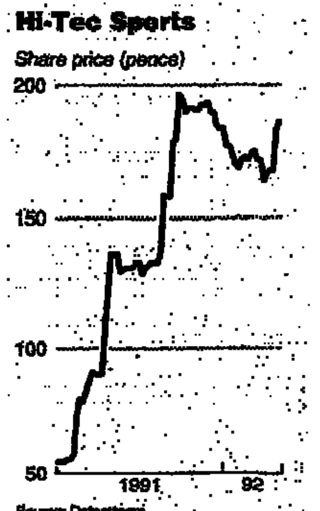
Trading in the UK suffered as Reebok and Nike dumped excess stock at lower prices. "But we weathered the storm," he said, "and they cannot go on like that forever." Sales in the UK fell by 14 per cent to £60.6m, while profits dropped almost 12 per cent to £6.9m. Mr Derek Watson, finance director, said that operational margins had been held at about 11 per cent..

Bad Boys, the group's leisurewear division in continental Europe, and the newly acquired Labels business performed satisfactorily. Bad Boys increased profits by 23 per cent to £1.9m on sales up 35 per cent at £19.1m.

The £10.3m rights issue in January brought debt down to £9.9m, reducing gearing from 79 per cent to 28 per cent.

The final dividend is raised to 3.85p, for a total of 5.5p (5p). Earnings per share rose from 14.75p to 16.07p.

Hi-Tec Sports



Source: Datastream

● COMMENT

Hi-Tec carved itself a neat little niche in the middle-price sports shoe market, just in time to perform rather well through recession. Although it is tough in the UK at the moment, the effects of dumping by the big boys are expected to have been overcome by the second half. Assuming that sportswear remains fashionable, and that one believes research showing a global sports shoe market worth £9bn by 1995, then Hi-Tec looks well placed. The rights issue has left the group poised to expand in the fragmented continental market, and its brand name is about to get a pan-European boost from Saatchi & Saatchi. An acquisition is possible in the medium-term as it aims to get the clothing side up to about 35 per cent of turnover. Forecasts are for £11.2m pre-tax. The prospective p/e of about 11 leaves the shares looking good value.

Administrators appointed at Ward Group

By Andrew Taylor, Construction Correspondent

WARD GROUP, the structural steel and building components combine, yesterday became the latest company to fall foul of the recession in the construction industry.

Directors applied to the High Court for an administration order stating that this would ensure a more advantageous realisation of assets than winding up the business.

Mr Michael Moore and Mr David Waterhouse of Coopers & Lybrand Deloitte have been appointed as joint administrators.

Ward shares were suspended at 63p on Tuesday. A year ago they were trading at more than 200p.

In 1990 the company employed more than 2,300 full time workers of which 1,200 were in the UK. That year it made pre-tax profits of £8.72m on turnover of £172.8m.

The group went into the red during the first six months of last year when it incurred a pre-tax loss of £3.48m.

Mr Nigel Forsyth, chief executive, said then that trading conditions in the UK were the worst in the company's 45 year history.

According to the most recent accounts, for the 1990 year, bank overdraft and loans totalled £19.5m compared with shareholders funds of £28.3m.

Cold turkey as Bernard Matthews warns on profits

By Richard Gourlay

BERNARD Matthews, the Norfolk-based meat processor, yesterday warned that profits for the first half of 1992 would be significantly below the same period of last year.

The shares fell 6p to close at 64p.

"The market for meat and poultry continues to be depressed," Mr Bernard Matthews, the chairman who holds 40 per cent of the company's shares, said at yesterday's annual meeting.

Mr Matthews would not make himself available for comment.

In a statement he said he had nothing more to add to his comments in the annual report, published on April 2, in which he said the 1991 results "must be considered satisfactory after taking into account the economic recession and the very depressed market for meat and poultry."

At the preliminary reporting stage Mr Matthews said that the whole bird and oven ready turkey market had been hit last year by low chicken prices.

Pre-tax profits for 1991 fell from £15.5m to £13.2m but the final dividend of 2.5p and the total distribution of 4.5p for the year were both maintained.

CRS sees little sign of any significant high street recovery

By Angus Foster

CO-OPERATIVE Retail Services, the largest retailing society in Europe, lifted sales last year but warned there was no evidence of recovery on the high street.

Mr Harry Moore, chief executive, said: "We have seen no sign of any significant improvement since the election and believe the climb out of recession will be very gentle indeed."

CRS reported a surplus before distribution of £33.2m (£30.6m) in the year to January 25. Turnover increased 9.2 per cent to £1.5bn. Net sales, which take account of VAT, were 8.2 per cent higher at £1.39bn.

Mr Moore said the results were due to higher margins and contained costs. Trading margins improved from 3.5 per cent to 3.7 per cent helped by an improved mix of foods sold, but are still well below those achieved by retailing rivals.

Food sales, which include the Leo's, Stop & Shop and Pioneer chains, increased 9.8 per cent to £1.04bn. Non-food sales, covering the Living department stores, funeral and dairy services, rose 5.1 per cent to £200m.

Interest costs increased to £18.9m (£14.3m) on net borrowings of £164m (£130.4m) taken out to finance expansion and new retailing technology. Gearing rose to 58 per cent (51 per cent) but will fall to 34 per cent after the sale of the dairy division to MD Foods, expected to be completed "within weeks".

There was an operating surplus of £22.3m (£19.9m). Net exceptional charges of £638,000 (exceptional profit £6.22m) included £5.61m in redundancy and re-organisation costs from bringing distribution into three central warehouses.

The exceptionals meant a reduced surplus before tax of £21.6m (£26.1m). The retained surplus was £20.6m (£22.6m).

MTM results expected next week

MTM, the troubled speciality chemicals group, is expected to publish its delayed final year results in the middle of next week. A date will be finalised today or Monday, writes Paul Abrahams.

The company is also planning to announce the appointment of new merchant bankers and brokers, following the resignation of Robert Flemings last month. Four candidates have recently been interviewed for the role of broker. Smith New Court is understood to have turned down the position because it already represents Hickson. Mr Ken Schofield, the new chief executive, is understood to want to split the role of broker and merchant banker.

The group is also in final stages of negotiation with a candidate for the role of chairman. Analysts believe the most likely candidate is Dr David Swallow, who recently resigned as deputy chairman from Hickson. He was formerly managing director of RTZ chemicals and worked closely with Mr Schofield when he was Hickson's chief executive.

Analysts fear that when MTM's results are announced its debts may be as high as £100m rather than the figure of £70m previously estimated.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Finals- Linton Park, Radiotrust, Worth Inv Trust.

FUTURE DATES

Interims-	
API	May 14
Avon Rubber	May 13
Barrett (Henry)	May 20
Capital Radio	May 19
Diploma	May 13
Foreign & Colonial Inv	May 15
Leeds	May 19
Tunstall	May 19
Finals-	
Chamberlin & Hill	May 20
Donelon Tyson	May 12
East Midlands Electricity	June 15
Foreign & Colonial German	May 21
Land Securities	May 20
London & Assoc Inv	May 11
Northern Foods	June 10
Personal Assets Trust	May 11
Prowting	May 18
Readicut	May 19
Salvesen (Christian)	June 11
Sketchley	May 21
Tullow Oil	May 15
United Energy	May 11
Westbury	May 21

NEWS DIGEST

Rights and doubled loss at Proteus

PRE-TAX LOSSES at Proteus International, the USM-quoted specialist in computer-aided molecular modelling and rational drug design, almost doubled from £1.27m to £2.41m in the year to March 31.

The company also announced a rights issue to raise £12.2m net "to undertake a number of specific, budgeted product development plans".

Mr Kevin Gilmore, chairman, said that the year had seen a continuation of the expansion into molecular modelling design facilities and considerable costs were incurred on business development work. The potential Aids/HIV prophylactic and therapeutic vaccine was being given further trials with results still encouraging.

While striving to maintain ownership interest in the core proprietary products, the formation of joint ventures is being pursued – the first was with Genelabs Technologies of the US in relation to potential DNA-binding compounds.

Turnover was reduced to £3,000 (£7,000) and losses per share were 11.05p (5.92p).

The rights, underwritten by Allied Provincial Securities, is on a 1-for-5 basis at 280p per share.

Delyn slips 15% to £524,000

Delyn Group, a manufacturer of consumer packaging, returned pre-tax profits of £524,000 for the year to February 2, a 15 per cent shortfall on the previous year's £614,000.

Turnover showed little change at £13.1m (£13.5m). There was an exceptional provision of £42,000 but interest charges were cut to £406,000 (£638,000).

A maintained final dividend of 1p holds the total at 1.45p. Earnings declined to 3.32p (4.47p). Year-end gearing stood at 28 per cent (54 per cent).

MMT moves 14% ahead to £712,000

Mr Mike Tilbrook, chairman of MMT Computing, said he was pleased that the USM-quoted computer systems consultancy had achieved a 14 per cent increase in pre-tax profits, from £626,000 to £712,000, in the six months to February 29.

He added that the mainstream of the company run from London had performed "most creditably", and he singled out the south-east branch as especially praiseworthy.

Turnover slipped to £3.01m (£3.1m), but earnings rose to 3.9p (3.4p) per share and the interim dividend is lifted to 1.1p (1p).

Axime, the French company with which it had been linked and which owned a 20 per cent stake, was no longer a shareholder.

Interest bill checks Cont Stationery

Higher interest charges left Continuous Stationery, the printer of business forms and stationery, with a 9 per cent profits decline in the year to April 3.

After interest payable up from £155,000 to £293,000, pre-tax profits fell from £1.26m to £1.14m.

Directors said that in the light of the announcement in February of a possible management buy-out, the results had been published at the earliest opportunity.

The management team was still in discussions with potential financiers with a view to making an offer, the company said, but the committee of independent directors had yet to receive a definitive proposal.

The Prontaprint division showed a marginal advance from £1.18m to £1.2m, but profits from the business forms division slipped by £213,000 to £537,000.

Bank debt grew to £2.28m (£1.92m) and the group has access to a £2.5m term loan, of which £2.25m was drawn at the year-end, as well as additional working facilities.

Earnings per share declined from 5.13p to 4.18p; the final dividend is cut to 1.6p (2.8p) making a total of 2.4p (4p).

Ventilation boost as Titon jumps 51%

Increased sales of its core ventilation products helped Titon Holdings report a 51 per cent increase in interim profits.

TITON

The USM-traded group, which also makes window fittings and accessories, lifted pre-tax profits from £623,000 to £942,000 for the six months to March 31. Turnover expanded 19 per cent to £5.38m (£4.51m).

The interim dividend goes up to 1.13p (1.03p), payable from earnings of 5.82p (3.73p).

New Frontiers shows strong asset growth

A strong performance by Latin American and south-east Asian markets helped New Frontiers Development Trust report a 17 per cent advance to 73.5p in net asset value over the six months to March 31.

Net revenue fell to £309,000 (£442,000) for earnings of 0.31p (0.44p) per share.

Highcroft Trust advances 15%

A £181,000 increase in gross rental income to £954,000 helped Highcroft Investment Trust report a 15 per cent rise in attributable profits to £593,000 for 1991.

The dividend for the year is raised to 4.5p (3.9p) via a final of 2.85p. Earnings per share rose 15 per cent to 10.9p.

BMSS sharply down at £515,000

Profits of BMSS, the USM-quoted timber and building materials merchant, fell from £1.02m to £515,000 pre-tax over the 12 months ended January 31.

Sales showed a 23 per cent downturn at £17.3m. However, gross margins improved to 31.23 (28.91) per cent reflecting the policy of rejecting very low margin business.

Earnings emerged at 5.1p (11.3p). A final dividend of 2.7p makes a same-again 4.7p total.

Static revenue at Glasgow Income

Net asset value per share of Glasgow Income Trust was 39.4p at March 31 1992, down from 47.32p at the September year-end and 46.22p at the same stage of 1991.

However, it had risen to 43.1p by April 30 reflecting higher equity values following the election.

Net revenue for the six months to end-March was virtually unchanged at £393,000 for earnings of 1.33p (1.36p) per share. A second interim dividend of 0.6p brings the total to date to 1.2p.

Abtrust New Thai net assets ahead

Abtrust New Thai Investment Trust reported a net asset value of 75.34p per share as at February 28 1992, up from 71.58p 12 months earlier.

Net revenue for the year amounted to £216,594 (£289,517 for 14 months), equal to earnings of 1.44p (1.6p) per share. A single dividend of 1p is proposed. Last year the trust paid a final of 0.9p and a special distribution of 0.55p.

COMPANY NEWS: UK

£14m acquisition planned to revive Venture Plant

By Jane Fuller

VENTURE Plant Group, the USM-quoted plant hire company that fell into losses in 1990, is being resuscitated via the £13.7m acquisition of National Plant and Transport's materials handling division.

To fund the acquisition and relieve debt, £15.5m is being raised in a placing and 1-for-1 rights issue, priced at 100p. The existing shares, suspended at 8½p on April 21, will first be consolidated on a 10-for-1 basis.

Venture Plant will be renamed Barcom, as suggested by a secretary called Barbara, and will move to the main market.

It will have 18.6m shares and the Meeks family, vendors of the NPT business, will control 10 per cent.

Mr Dick Cameron, joint chief executive, explained that he and his partner Mr Brian Thompson had left Blackwood Hodge, the international construction equipment distributor, early last year, a few months after it was taken over by BM Group.

In September, institutional investors at Venture Plant invited them to turn the company round. As a management buy-out from Tilbury in 1987, Venture Plant had increased pre-tax profit to £1.58m in the year to September 1989; it was floated in December 1988.

But it lost more than £1.1m in 1989-90 and last year the pre-tax deficit grew to £5.1m. This included more than £2m provisions as the new management closed eight of the 11 depots and cut the workforce from 165 to 52.

Mr Cameron said borrowings had been reduced from £8m early last year to £2m last month. After the NPT purchase, the group's pro forma net assets would be £18.5m and there would be no net debt.

Mr Thompson said NPT supplied and operated the plant for handling coal at 26 collieries in Nottinghamshire and South Wales. British Coal accounted for 88 per cent of the business. Although privatisation should increase opportunities, the coal business was expected to be less than 50 per cent in three to five years' time.

Other customers for the group's plant management services included electricity and construction companies.

The fleet comprised 600 pieces of equipment, many of which were leased rather than owned, and the utilisation rate was 98 per cent.

In the year to March 1991, the NPT division made £2.56m operating profit on turnover of £20m. Venture Plant's annualised turnover was about £3m, with profit of £250,000.

Mr David Meeks, managing director of the NPT business, is joining the Barcom board. Mr John Pinckard, who is also on the boards of Bimec Industries, Avon Rubber and Hadleigh Industries, will become non-executive chairman.

The share issue is underwritten by Rea Brothers and Panmure Gordon is the broker.


Brian Thompson (left) with partner Dick Cameron

Jones & Shipman deal with German competitor

By Andrew Baxter

JONES & SHIPMAN, one of the UK's three publicly-quoted machine tool builders, has become the sole UK agent for a wide range of grinding machines made by Overbeck, a German competitor.

An agreement signed this week at the Mach '92 machine tool exhibition in Birmingham opens the way to potential future collaboration on development work in grinding machines, the two companies said.

J&S said many customers in manufacturing were already users of machines from both companies and the agreement provides a single source supplier for most grinding requirements. Overbeck's internal grinding machine range will complement J&S' own range of cylindrical and surface grinders.

Cross-border selling deals are becoming increasingly common in the European machine tool industry but it is rare for companies to bury old rivalries and work together on machine development.

J&S and Overbeck see the agreement as a first step which could lead to eventual co-operation on projects such as the complex control systems needed for modern grinding. The companies plan, in any case, frequent exchanges of technical information.

Mr Len Weaver, J&S chairman, said the deal had taken only two months to negotiate. The two companies were very similar in their commitment to quality and product development.

Pilkington purchase

Pilkington has agreed to buy 45 per cent of International Glass Poland, which operates at 16 sites throughout Poland. The acquisition is part of Pilkington's strategy for expanding float glass sales in the country.

PWS shows decline to £2.1m

A SHARP contraction in the aviation excess of loss market and a fall in US interest rates were blamed by PWS Holdings, the Lloyd's insurance and reinsurance broker, for a 33 per cent fall in pre-tax profits to £2.1m over the six months to March 31.

The decline, from last time's £3.11m, was struck on the back of net retained brokerage income of £8m (£8.77m) and other operating income of £1.19m (£1.87m).

The contraction on the aviation side led to problems at Fryer Cheasley Light and it was decided that these operations should cease trading. An extraordinary item of £683,000 was carried in association with incurred and anticipated costs connected to this decision.

Mr Malcolm Pearson, chairman, said that PWS International, which accounts for more than half group income, had so far experienced a good year in a volatile market. It was expected that this would continue in the second half.

He added that the group's reduced reliance on aviation would change its trading pattern so that it made a small profit rather than a small loss in the second half.

The interim dividend is maintained at 1.5p on earnings per share of 6.8p (10.1p).

Euromoney advances 42% to £4.62m

EUROMONEY Publications topped a buoyant set of first-half results with a 23 per cent rise in the interim dividend from 6.5p to 8p.

The magazines publisher recorded advances of 71 per cent in operating profits to £3.71m (£2.17m) and 42 per cent in pre-tax profit to £4.62m (£3.26m). Growth was achieved in all but one activity.

The favourable comparison was aided by the depressing effect of the Gulf war on the previous first half. The company does not expect this growth rate to continue in the second half, but does foresee a satisfactory outcome for the year.

Highlights in the period under review included international financial publishing, which raised its contribution by 76 per cent from £1.59m to £2.8m, aided by the modest recovery in some financial markets.

Energy publishing jumped to £375,000 (£121,000) and event businesses put in £710,000 (£373,000).

The only disappointing area was aviation and leasing publishing which declined to £279,000 (£531,000).

Earnings per share improved from 10.39p to 14.9p.

You take the work road and I'll the litigious road

James Buxton on Rodime's redefinition of recovery

FOR A company whose latest balance sheet shows negative net worth of $37m (£15.2m) and which has abandoned the main purpose for which it was founded, the recent annual meeting of Rodime was a surprisingly cheerful affair.

Rodime was a disk drive manufacturer which was once regarded as a rare example of a successful UK high technology start-up company. Founded by some Scots and an American who spun out of a US multinational in Scotland in 1980, it produced the world's first 3½-inch hard disk drive, now standard equipment on most personal computers, from a plant in Glenrothes, Fife.

Last August, however, it finally gave up the struggle to continue manufacturing and commenced what Mr Peter Bailey, the English-born but US-based electronics industry specialist who came in to rescue Rodime in 1989, calls "an orderly build-down" of the company.

The crunch came after the last-minute failure to conclude a manufacturing joint venture with a Taiwanese company, which was unable to come up with the necessary $90m to finance the project. By that time a series of disasters had exhausted Rodime's working capital. Its shares, once a star of the US over-the-counter market, were suspended on the London Stock Exchange at 4p.

Yet the AGM, held in a Glasgow solicitor's office, was far from gloomy because the directors believe there is a good chance that Rodime will eventually return to solvency as it pursues companies which have infringed its patents, and as it issues new licences. It has already recovered virtually all its recoverable assets, apart from the sale (at a likely loss) of a building in Boca Raton, Florida.

In the year to September 30 Rodime lost $24.3m on turnover that had shrunk to only $12.4m, taking account of provisions and interest. In the balance sheet the company had net liabilities of $26.9m. That included $37.8m owed to Bank of Scotland (which also owns 19.4 per cent of almost worthless equity of the company), and $7.9m owed to other creditors. Debtors, including amounts recoverable from subsidiaries, totalled $18.8m.

Since then Rodime has sold its manufacturing operations in Singapore, which it had put into receivership, to Myrica, a Taiwanese company, which also acquired Rodime's engineering development team in Glenrothes. Rodime sold its disk drive repair company in Scotland to Memec, the electronic servicing company.

When Mr Bailey came to Rodime he believed it could have been made into a company with $1bn turnover (in reality its turnover in its entire history never exceeded $120m, yet it operated in Scotland, the US and Singapore). But even when banks, creditors and investors agreed a rescue package worth $66m in 1989, Rodime never had the financial resources to produce the innovative products its engineers designed.

He admits that if he had carried out more due diligence Rodime would have taken a restructuring charge twice the size of the $12m it actually allowed. But he also acknowledges that if the true value of the inherited inventory had been known, the rescue might not have gone ahead at all.

However, one decision he took then is paying off. "We were spending a fortune on legal fees pursuing International Business Machines for patent infringement. I decided to continue that action". This was based on a favourable 1988 ruling of the US Patent Office.

The pay-off came in late 1990 when IBM paid Rodime $13m in an out-of-court settlement. Rodime then went on to pursue other companies, beginning with Conner Peripherals, the big US disk drive maker, from which it received a "material" payment in settlement last May.

"It is very difficult to produce a multi-disk 3½-inch disk drive without infringing one or more of our patents," says Mr Bailey. The patents do not expire until 2004, and although companies are now moving to smaller disk drives, Mr Bailey believes the 3½-inch will be coming out in large volumes until about 1997.

Since last spring Rodime has reached licensing agreements with companies including Alps Electric, Fujitsu, Matsushita Electric, Hitachi and Teac of Japan, and Hewlett-Packard of the US. Rodime is now targeting about 25 other companies which it claims are infringing its patents, including NEC, Sony and Toshiba of Japan, and Seagate and Quantum of the US.

Although Rodime is a litigious company it is not currently in litigation with any company as it pursues amicable settlements. Speed is not necessarily of the essence any more. "The longer a company takes to settle, the longer it will have been infringing our patents and the more it may have to pay," says Mr Bailey.

What Rodime, which now employs only five people, will not reveal is how the balance sheet looks now, but Mr Bailey says that although cash flow is positive, it is not yet in the black. "However, I'm confident that the value of our patents exceeds the level of our debt."

Although Mr Malcolm McIver, the Glasgow solicitor who became chairman of a slimmed board earlier this year, warns that the company's new strategy is "by no means assured of success", Rodime believes it may accumulate positive net worth next year. This could eventually mean a pay-out to shareholders.

"Our patents were supposed to be the icing on the cake – we never meant to live off them," says Mr Bailey. But he is not apologetic about the somewhat uncreative role that this former pioneer has now adopted. In fact he sees further possibilities for it.

"There are not many small companies that have beaten IBM," he says. "Several companies have already approached us for advice on how to protect their intellectual property. There may be business to be done in advising them."

Docklands gets that sinking feeling

By Vanessa Houlder

Two weeks ago, the Isle of Dogs enterprise zone in London's Docklands came of age. But its 10th anniversary, which brought the area's tax breaks holidays to an end, provided little cause for celebration.

The towering Canary Wharf development, which has come to symbolise Docklands, is teetering on the brink. The failure of Olympia & York, the Canadian developer which created the project, would seal Dockland's reputation as a developers' graveyard.

area has been visited by the extremes of both success and failure. When Mr Michael Heseltine, the then environment secretary, set up the London Docklands Development Corporation (LDDC) to oversee the regeneration of 20 square miles of derelict land in 1981, he described the region in damning terms.

"The area displays more acutely and extensively than any other area in England the physical deterioration of the inner city and the need for urban regeneration," he said.

Just six years later, it was dubbed an economic miracle. "It is seen as the most exceptional development location in the UK and, perhaps, the most dynamic in Europe," said Mr Reg Ward, chief executive of the LDDC in 1987. At the time, land values had doubled over the past year, yields had dropped to 5 per cent and the ratio of private investment to public money was 7:1.

But five years on, the miracle has turned sour. Docklands is seen as the most costly disaster in the history of UK property development, following a collapse in property values and a glut of vacant property.

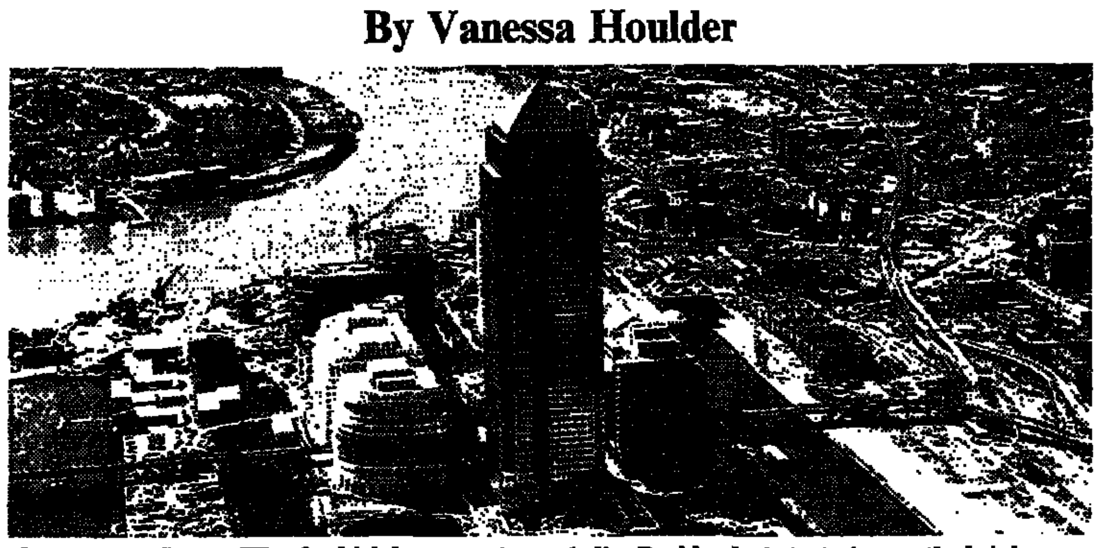
It is also seen as a planning and architectural disaster. "London's Docklands contains one of the worst collections of late 20th century buildings to be seen anywhere in the world," says the ADT Architecture guide.

Around the world, Docklands is seen as an example of how not to regenerate urban areas. It was meant to be an example of what could happen without government interference. But in practice, the government has heavily subsidised the area through tax breaks and infrastructure investment: £5bn is due to be ploughed into east London's infrastructure by 1995. Moreover, the government may end up by bailing out Canary Wharf by building the Jubilee Line railway extension, transfering civil servants to the area and developing the East Thames Corridor.

The government's avowed goal was to cut red tape and give private enterprise its head. Yet even the government was surprised by the way matters turned out. The philosophy behind the enterprise zones was to attract industrial development to the area. Instead, the LDDC decided to attract commercial users.

"We used the enterprise zone in a somewhat maverick way by bringing together our totally optimistic aspirations to make the Isle of Dogs an office and commercial location rather than confirming it as a industrial one," said the LDDC's Mr Ward.

Under Mr Ward, a visionary, exuberant and headstrong character, Docklands built up a powerful momentum. Tax breaks, advertising, the light railway, the London City airport and the British Telecom satellite station helped transform the character of the area.



The towering Canary Wharf, which has come to symbolise Docklands, is teetering on the brink

The turning point for Docklands – and with hindsight, its biggest mistake – was the decision to raise its sights and compete with the City and West End.

The potential seemed obvious, however, following the arrival of Olympia & York, the world's largest property developer, which decided to invest £3bn into Europe's biggest office scheme.

O&Y recognised that London had the most expensive and old fashioned office stock in Europe, which fell a long way short of the aspirations of tenants. Potential tenants wanted large, cheap and high technology offices; the Docklands provided an abundance of cheap, empty land, just 15 minutes away from the City. The logic seemed impeccable.

It did not work out as planned. O&Y had to offer generous incentives to tenants; yet 40 per cent of the buildings within Canary Wharf which are complete are still unlet. In part, this reflects the severity of the property recession in London. But to a greater extent, it is a result of London's haphazard approach to its own development.

This lack of an overall planning strategy allowed the City of London and the surrounding boroughs to relax their own planning controls, creating a glut of space that undermined demand for offices in Docklands. The sheer enormity of the Canary Wharf development put far too much strain on existing infrastructure and improvements, such as transportation, came far too late. As a result, the image of the area was tarnished and Canary Wharf failed to attract any big UK companies.

The Docklands experiment failed in other ways, too. It was created in the teeth of hostility from neighbouring local authorities, and it inspired intense opposition from the local community. This was highlighted by a £100m law suit from local residents against O&Y and the LDDC because of the noise, dust, dirt and disruption from the construction works.

To its critics, Docklands demonstrates the flaw in the Conservative party's philosophy of urban regeneration. "It is a fundamentally flawed approach," says Mr Bob Colenutt of the Docklands Consultative Committee (DCC), a local authority association. The benefits of developments in Docklands have yet to trickle down to the local community, he adds.

Three quarters of the jobs in the enterprise zone have simply involved relocations of jobs from other parts of London; in total the enterprise zone has resulted in the creation of just 2,733 new jobs, says the DCC. Assuming the cost of tax breaks and infrastructure totals £2.9bn – according to the LDDC – the DCC calculates that the government will have spent more than £1m for every new job created in the Isle of Dogs enterprise zone.

The LDDC, however, says that the costs of the enterprise zone have been exaggerated and, furthermore, it is proud of its employment record, compared to the rest of London: between 1981 and 1992 unemployment within the development area increased by 33 per cent; in Greater London unemployment has increased by 47 per cent over the same period.

Opinions differ on the future of Docklands. A substantial, albeit biased, section of the property industry thinks it should scale back its ambitions and settle for being a cheap location for clerks and computer installations. "It should be like Croydon or Hammersmith," says one consultant. The problems of O&Y, which may well result in the cancellation of the Jubilee Line extension and the end of more development at Canary Wharf, make this outcome very likely.

The DCC thinks Docklands should concentrate on more modest development including the allocation of half the Royal Docks for social housing. "The fantastic visions of the 1980s have to be reassessed," says the DCC's Mr Colenutt.

But the LDDC refuses to amend its plans, arguing that the DCC's ideas would merely accelerate the spiral of decline. The LDDC sees the recession as a chance to catch up on the development of infrastructure, which should finally be in place when the economy picks up.

"London needs Docklands to enable it to remain one of the world's top three cities," says Mr Michael Pickard, chairman of the LDDC. "Why should we not be able to compete with the City of London and the City of Westminster?" asks Mr Eric Sorenson, chief executive of the LDDC.

"Docklands will have important advantages in its communications," he adds, citing the following important additions: a broad highway running from the City to the Royal Docks will be completed by the summer of 1993; and Docklands light railway will be expanded and upgraded by the summer of 1993.

The government's original belief was that it could not justify building roads and tube lines across wasteland. Its policy of no subsidies and no infrastructure gradually turned into one of subsidies and infrastructure. The message of the Docklands Enterprise Zone simply underlines what the property industry always knew: infrastructure is the key to development.

RECRUITMENT

JOBS: Survey figures show that most public argument about executive pay in Britain misses the point

Where the real fat cats are to be found

INCREDIBLE though it must seem to anyone who has met the Jobs column, there have been times when it has been *unable to get* a word in edgeways. The prime instance in recent months came when it was invited to contribute from the floor to a 45-minute televised "*debate*" on executive pay.

The tone was set by the opening speakers from the platform. The first denounced the monstrous greed of capitalism, making much play with the published salaries of selected heads of big industrial companies. The second responded that the cited sums were necessary to engender enterprise.

Those same basic credos, *with* the same focus on salaries of chiefs of well known outfits, were then hurled back and forth until time ran out. On balance, unashamed proponents of *enterprise* were far outweighed by equally unashamed *opponents of avarice, but they* grabbed the floor from one another so swiftly and peremptorily that the Jobs column, despite sticking *its* hand up *sporadically*, never uttered a syllable.

It still seems a pity to me, at any rate – not least because, to judge *from the typical media reaction to* last week's publication of the British Institute of Management's pay survey, the same dialogue of the deluded still rages on. For what I'd hoped to point out on the televised occasion was the the focus of the exchanges was unrealistic, and for two main reasons.

First, salaries alone provide an almost ludicrously short measure *of* executive-pay levels because they take no account of perks. According to the studies of the Noble Lowndes consultancy, which include valuations of benefits such as pension entitlements and company cars as well as bonus payments, salaries make up only about 70 per cent of the average British manager's rewards.

Secondly, to suggest that a minority of prominent industrial chieftains are representative of *executives in general is not only to* do severe injustice to the great bulk of same, but to overlook the place where Britain's real fat cats largely *lurk. That place is the City* finance sector, and those doubting it need only look at the table alongside drawn from Day *Associates'* survey of pay in banks in London's famous square mile.

The latest check covers 105 of them, giving data on some 230 jobs high to low. But anyone wanting full information will need to obtain the survey report, price £200, from Joe Clark of Day at Suite 2.31, 75 Whitechapel Rd, London E1 1DU; tel 071-375 1397, fax 071-375 1723. My figures are limited to 17 posts of senior, albeit not the highest level.

In each case, the table starts with salaries – the lower quartile referring to the person a quarter way up from the foot of a ranking of all in the same type of job, the median refers to the person midway in the ranking, and the upper quartile to the one a quarter way down from the top. Next comes the average salary, followed by the percentage of it typically received as a bonus. The last two columns show the proportion of job-holders whose perks include a company car, and its average price.

SALARIES, BONUSES AND COMPANY CARS IN CITY OF LONDON FINANCE SECTOR

Position	*Lower quartile* £	*Median salary* £	*Upper quartile* £	*Average salary* £	*Avge bonus* %	*Coy car* %	*Avge price of car* £
Bond sales head	84,000	104,000	135,000	113,142	27.8	88	18,625
Corporate finance head	95,000	109,666	135,000	112,245	28.9	100	21,949
Capital markets head	97,000	104,377	125,000	110,482	35.8	100	26,592
Director of credit	90,000	96,000	125,244	106,357	13.1	87	19,820
Fund management director	91,833	99,530	105,250	100,722	21.4	100	22,033
Swaps head	70,000	100,000	127,000	99,250	64.7	100	17,083
Equity trading head	75,000	100,000	115,000	96,000	15.6	83	16,244
Eurobond trading head	80,000	89,500	100,000	93,300	17.2*	90	16,802
Equity sales head	71,500	95,000	125,000	92,260	12.5	100	20,734
Head of research	69,000	79,500	102,400	82,963	11.4	90	18,110
Personnel director	70,692	81,500	91,250	80,971	17.8	83	20,016
Chief fx dealer	65,000	75,000	93,450	80,849	29.8	97	18,014
Director of operations	*69,000*	*73,986*	*87,500*	*79,936*	*5.7*	*100*	*21,777*
Financial director	63,000	71,150	77,588	77,247	14.2	100	21,410
Legal services head	48,000	72,650	76,080	65,888	26.4	100	18,143
D-P director	50,000	64,500	72,000	62,308	15.4	100	18,490
Chief sterling dealer	46,500	50,000	60,000	52,583	12.9	94	14,582

* Excluding one person (of 10) with enormous bonus that would have raised average to 41.8 per cent.

Of course, being confined to banking staff in the City, Day's check cannot show how their rewards compare with those of executives elsewhere. But a rough idea, although no more than that, is given by the following table compiled from the British Institute of Management's figures. It gives average salaries, the percentage of same received as bonus, and the proportion with cars for chief executives, other directors, and five descending ranks of managers:

Rank of employee	*Salary* £	*Bonus* %	*Car* %
Chief execs	86,817	9.7	97
Other board	55,058	6.9	95
Managers 1	45,169	5.0	97
–do– 2	35,944	4.6	91
–do– 3	30,851	3.2	80
–do– 4	28,147	3.5	73
–do– 5	24,532	2.3	57

So despite the danger of drawing comparisons from different studies, *it seems abundantly clear that* managers in Britain as a whole are underpaid by the standards of counterparts in City banks.

The sole compensation I can offer the majority is that Day's survey shows the square mile's levels are now edging down. Even so, it looks looks likely to be an eon or two before the reward-gap between the City of London and *the rest of Britain is closed.*

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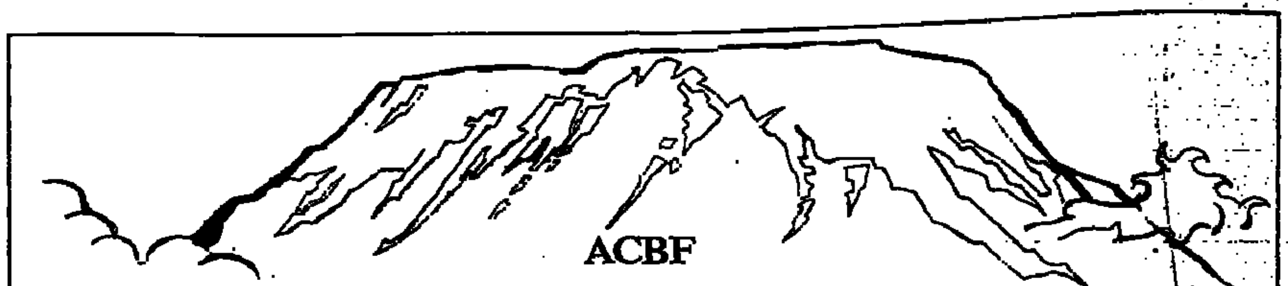

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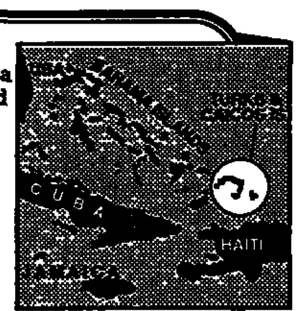

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Closing date Tuesday 19th May 1992

ACCOUNTANCY COLUMN

Outlook for merger mania in the early 1990s

By Andrew Jack

IF THE authoritative history of accountancy were to be written somewhere towards the end should be a chapter called "Merger Mania", a phenomenon which began in the late 1980s. The question now facing firms is whether its pages will extend into the more cautious era of the early 1990s.

While the recession bites home and the taste of merged firms being digested grows increasingly bitter, rumours of a new wave of acquisitions are beginning to surface. The latest candidates to be mentioned are BDO Binder Hamlyn and Pannell Kerr Forster, which were respectively seventh and ninth by fee income last year. Both vigorously deny it.

Whatever the truth of these particular cases, the consensus among managing partners is that many firms are coming under competitive pressure and the total number must shrink. The only problem is that none admits that their own practice faces any difficulties.

This has led to a new game played by journalists and the recipients of their telephone calls within accountancy offices. The Accounting Standards Board may be tightening up on the imaginative skills of the best creative practitioners, but merger gossip has provided a new outlet for inventiveness.

Last season's version – which still continues – involved the issue of partner redundancies. Some firms adamantly deny that any have taken place. Most, however, favour a more circuitous response: they stress that partners cannot be made redundant. Instead, they say they have taken early retirement, or departed voluntarily after deciding that their aims and those of the firm are no longer compatible.

The 1992 variant – for countering talk of mergers – adopts the same technique. You can get a straight denial – though generally in a tone of voice that does not suggest the "true and fair" pledge of an audit report. More typically, you hear an oblique comment using language which leaves the options open.

"We are not in merger discussions with anyone," says an exasperated Mr Chris Swinson, national managing partner of Binder Hamlyn. "I haven't even looked for the phone number of a dating agency ... But one keeps one's eyes open."

Mr Richard Pearson, national managing partner at Pannell Kerr Forster, sighs wearily: "There is no strength to the rumours. From time to time one has discussions about discussions ... Of course, if the opportunity arises, we will certainly consider it."

There is no doubt that accountancy firms have been severely hit by the recession. Demand has dropped for non-essential services, such as management consultancy work, and for those activities linked to periods of economic growth like corporate finance.

Insolvency work may have prospered, but it remains a small proportion of income for most firms. Statutory audits continue to command large revenues, but companies are increasingly putting this work out to tender and maintaining a tight ceiling on the fees charged.

Meanwhile, costs have escalated sharply. The mergers have left the combined firms with substantial overheads including considerable surplus staff and excess property just when they could least afford the bills.

Corporate litigation is also fast expanding. Accountants, armed with professional indemnity insurance, have proved a tempting target for aggrieved users of accounts looking for recompense.

When the annual figures on fee income and employment are released by the top firms in June, they are likely to look bleak. The undisclosed internal accounts showing the falls in profitability will probably be gloomier still.

This does not bode well for mergers driven by strategic reasons between two equal and complementary partners, rather than as a panic-stricken cry for survival from ailing firms directed at stronger ones. But Mr Hugh Aldous, managing partner of Robson Rhodes, suggests that is nothing new.

"None of the mergers in the late 1980s was motivated by strategic cleverness," he says. "Despite all the hype from the firms' press offices about strategy, it is now clear that they were all driven by economic necessity."

He argues that the entire accountancy profession has come under pressure and many partners from leading firms are now on the job market.

Mr Aldous believes the "Big 6" – Coopers & Lybrand, KPMG Peat Marwick, Ernst & Young, Price Waterhouse, Arthur Andersen, Touche Ross – are likely to survive because of their very strong reputation and the stranglehold they have on the largest clients. Some of the smaller firms will probably fade away, he thinks, while the group of six or eight firms below the premier league are likely to shrink to two or three over the next few years.

Those which survive – among which Aldous naturally counts Robson Rhodes – will have to offer "the same calibre of thinking" as the Big 6, while acting increasingly as advisers to individuals and private companies.

A number of his competitors share the view of a shrinking middle tier, while putting up equally strong arguments for their own position as survivors. Among the most notable is Grant Thornton, eighth largest by fee income, which embarked three years ago on a strategy to concentrate on advisory work to small and medium-sized businesses.

"I don't think any firm outside the Big 6 which has a significant part of its income from the audit market can have a strong future," says Mr David McDonnell, national managing partner. He believes two of the Big 6 firms may yet merge to create five large players, while a number of medium-sized firms are likely to have to seek partners in order to survive.

The structure of Binder Hamlyn, by contrast, continues to be modelled in many ways on the Big 6 firms and it retains a number of large company audit clients. Mr Swinson is confident that such a role is sustainable. "We have preserved a reasonable air of professionalism, and avoided the more rapacious moves of our competitors," he says.

Mr Paul Hipps, senior partner at Stoy Hayward, says: "We have certainly sharpened up our act, putting enormous emphasis on quality and working hard talking to people to secure whatever business is around." His firm has invested considerable effort into cultivating family-owned businesses.

Mr Peter Orenstein, senior partner with Casson Beckman, argues that his firm is not in the so-called "second tier" but is at the top of a "third tier". He suggests that the second tier firms are coming under considerable pressure for clients, squeezed by both the Big 6 firms and the third tier. Many do not have the strong international networks of the larger firms, but have large overheads than their smaller competitors.

"We are small enough to be flexible and give clients the personal attention of individual partners, but large enough to have the specialist expertise they need," he says. "We are certainly not under any pressure to merge," he adds. "But that doesn't mean if a firm comes along with a proposal of some merit we would put up a brickwall. That would be foolish."

If further mergers do occur, one result will be a growing headache for regulators. Fewer firms will threaten both competition and independence. It is already difficult to find firms not subject to conflict of interest in a large and complex case such as the collapse of the Maxwell empire. These problems are only likely to escalate.

In the meantime, Mr Swinson remains unconcerned by the rumours about BDO. He has flown off to Singapore on assignment and said before his departure: "I would hardly be leaving if we were about to merge, would I?"

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For further information and application details please telephone 0296 382213 (24 hour answerphone), or write to Mike Cooke, Assistant County Personnel Officer, Buckinghamshire County Council, County Hall, Aylesbury, Bucks. HP20 1UA.

Closing date: 22nd May, 1992.

A leading energy-based UK plc, our client is seeking commercially-minded accountants for two key positions within a high profile, sales-orientated business unit, in order to ensure that the financial impact of decisions is given full prominence. Based at new corporate headquarters along the M4 corridor, the successful candidates will not only enjoy complete responsibility for the entire gamut of financial issues relating to the Group's sales & marketing function, but also fulfil a vital central coordination role for the Group as a whole, providing a forecasting and modelling resource which is crucial to the continued success of a multi-billion pound business.

Financial Controller

c. £35,000 - £40,000 + car + benefits

- Report to the Director, Sales & Marketing.
- Act as focal point for all financial matters relating to the unit.
- Advise directors and managers on the financial implications of future business strategy.
- Coordinate and analyse relevant management information.
- Liaise with and support the central finance function.

A minimum of 3 years' pqe at supervisory level within a related industrial sector is essential.

(Ref: 5649/13)

Management Accountant

c. £30,000 + car + benefits

- Report to the Financial Controller, Sales & Marketing.
- Prepare and interpret detailed management information, including budgets, profitability analyses and cashflow forecasts.
- Operate company's short-term business model.
- Liaise with financial and sales & marketing staff.

Applicants should have 1-3 years' pqe with a management accounting bias.

(Ref: 5649/14)

Candidates for each post shoud be business-orientated graduate accountants. Both appointments demand an appreciation of large company reporting requirements and a sound grasp of modern management accounting techniques. In addition to first class financial and analytical skills, supported by a detailed knowledge of computerised systems, applicants must demonstrate the technical and intellectual ability to grasp complex issues and the commercial credibility to forge strong links with non–financial staff, particularly at senior level.

Please write, in confidence, enclosing full career and salary details, to Tim Knight, quoting the appropriate reference.

KPMG Selection & Search

2-3 Dorset Rise, Blackfriars, London EC4Y 8AE

European Treasurer

c.£60,000 + Benefits **London**

Our client is a major US industrial management company with three major worldwide operating Groups, two based in the UK and the third based in the USA. All are $ billion plus enterprises trading under their well-recognised global brand names.

A new senior treasury appointment is to be made at the London office of the parent company to ensure full treasury support for the UK and European operations. Key tasks will be the development and implementation of appropriate financing strategies, including the negotiation and control of borrowing arrangements, and the overall coordination of treasury operations in the UK and Europe. The European Treasurer will also be a senior member of the US corporate treasury team, an officer of the corporation, and a director of the UK subsidiary holding company.

The person sought for this appointment will be a corporate treasury professional with extensive experience of treasury management in a manufacturing organisation operating on a worldwide scale. In-depth knowledge of UK and European financial markets is required, and a record of achievement in the negotiation and control of funding arrangements and the management of treasury operations. Detailed familiarity with the developing legal, accounting and tax framework of European business is essential.

An attractive salary will be supplemented by a benefits package which will include a performance-related bonus and eligibility for share options.

If you wish to be considered for this appointment please write - in confidence - to Douglas Austin, Ref 7220, MSL Group Limited, 32 Aybrook Street, London W1M 3JL. Telephone: 071-487 5000.

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- Project based work including analysis of fee generating areas.
- Analysis of risk, concentrating on futures, options, SWAPS and equities.

Individuals must demonstrate excellent communication skills and be prepared to take a proactive approach.

Candidates will be qualified accountants aged to 32, with previous investment banking knowledge gained through audit exposure or from within a similar calibre organisation.

*Interested candidates should contact **Jon Vonk** or **Jennifer Ogden** on 071-629 4463. Alternatively please submit an up-to-date curriculum vitae to the address below.*

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FINANCIAL DIRECTOR

WEST LONDON **£40-£45,000 + Management Bonus + Car**

Our client, a successful and profitable subsidiary of a large British public group, manufactures high quality, branded, engineered products which are sold nationally to industrial, commercial and domestic users.

In Europe, some business is done through subsidiary companies and plans now exist to widen coverage of the market by acquisition or by setting up other subsidiaries.

The Company has a turnover of c£60 million, is a leader in its field and operates in a very competitive market place. However, good growth prospects together with effective management and financial controls will improve profitability and return an investment significantly.

The Financial Director reports to the Managing Director and will:

- be a qualified accountant aged 30-45, ideally 35-40.
- *hold a senior financial management responsibility* e.g. director or controller of a sizeable business.
- have considerable experience of financial and cost control disciplines gained in a lively manufacturing business.
- *have experience of controlling the development* and implementation of systems using main-frame and micro-computers.
- be an effective manager; commercially oriented; possibly having some experience of acquisitions.

Future prospects are excellent: these are not limited to the finance function.

Benefits include pension and family private medical schemes, a management incentive bonus and a fully-expensed car. Assistance with re-location will be provided if necessary.

Write briefly or send C.V., to John Hearn at this address:-

Hearn Healy & Partners

Management & Recruitment Consultants

25 Dover Street, London W1X 3PA

Tel: 071-495 4150

WEST LONDON **c £35,000**

Director of Finance and Administration

The newly-established West London Training and Enterprise Council is one of the 82 set up around the country with the brief to stimulate business growth through the provision of consultancy services and the further development of the trained workforce. This autonomous operation is seeking an experienced manager to strengthen its small, cohesive management team.

With total responsibilities for the finance and administration functions, you will be required to make a full contribution across the organisation, identify financial initiatives and provide an informed commercial perspective on a broad range of business issues. Initial objectives will include the development of financial procedures and controls, the implementation of financial information systems, and the advancement of management reporting.

A qualified accountant with either public or private sector experience, you must be able to demonstrate well developed commercial and administrative skills in addition to sound technical abilities. You should be capable of managing and developing the functions in an effective and economic manner, and be able to apply innovative but practical solutions to ongoing and developing issues. As an individual, you must be a "hands-on" and enthusiastic person with the appropriate skills and personality to manage and motivate a small team and be a positive influence at Board level.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Deloitte Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG, quoting reference AE855 on both envelope and letter.

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CHIEF ACCOUNTANT

Guildford

to £35,000 + car

Our client is currently redirecting its business under an ambitious new board of directors. A recent acquisition means that turnover for 1992/93 will be £60 million in this marketing driven plc.

A reorganisation within the finance function has created a position for a commercially experienced graduate accountant aged 27-32. Managing a small team the emphasis will be on financial accounting, preparation of sophisticated management information and other non-routine matters such as treasury.

Essential experience required includes man-management and spreadsheet accounting skills together with initiative and the ability to fit into a small management team at a senior level within a group at an exciting stage of its development.

Please write, enclosing a full career/salary history and daytime telephone number, to John Sleigh FCCA quoting reference J/33/F.

FINANCIAL CONTROLLER

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The enormous success of this niche retailer is based on its deserved reputation for the quality of product and service. At the heart of its highly professional operation is a clear philosophy: "keep it simple" – a philosophy applied to the support functions, including finance, as well as to the line operations. Growth in the UK, and potentially in Europe, brings its own demands, so the finance activity has been restructured to ensure a more coordinated commercial focus. This new job, reporting to the Financial Director, will be responsible for the management of the finance function, which includes budgeting and management & statutory accounts, for internal audit and for the management of field audit. However, the task goes far beyond just providing figures and management information. The audit function is well established at shop level but needs to be strengthened in the head office, while new systems and controls must be developed to protect and enhance the commercial performance of the company. Ideal candidates will be qualified accountants with strong track records in pro-active audit-based financial control, probably gained in the retail/distribution sector. They should have both the commercial orientation and the inter-personal skill to offer senior management high calibre support, with confidence, precision and conviction. Please send full career details, *quoting reference WE 2056, to Judy Brasier*, Ward Executive Limited, 4-6 George Street, Richmond-upon-Thames, Surrey, TW9 1JY. Tel: 081-332 0555.

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STEPHANIE COX-FREEMAN

071 873 4027

هكذا من الأصل

EUROPEAN ACCOUNTING MANAGER

BERKSHIRE **£30-35,000 + F/E CAR**

Our client is a market leader in the development of software applications for multinational markets. The International Operations, spanning the major European countries, *Australia and Singapore*, are continuing to grow at an impressive rate.

A European Accounting Manager is now required to support the International Finance Manager. Prime responsibility will be for European (excluding UK) statutory and management accounting.

The role will involve control of third party accountants ensuring reporting is to timetable and to corporate policy. In addition close liaison with country business managers will be necessary.

There will be a high degree of travel (approximately 50%) to the countries concerned in order to assist with all local accounting and business issues, including local payroll matters.

The successful candidate will be a qualified accountant with a minimum of 2 years experience of European co-ordination and reporting gained ideally within a medium sized company environment.

Candidates will be aged in the range late 20's to early 30's. Possession of a second language is not a pre-requisite.

The rewards will include a comprehensive benefits package and a profit share scheme.

Interested applicants should apply in writing, *enclosing a detailed CV stating current remuneration* package, to Andrea Black, Robert Walters Associates, (Recruitment Consultants) 4a High Street, Windsor, Berkshire SL4 1LD. Fax: (0753) 831171.

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Swiss based international company with worldwide interests operating in Banking, Oil Refining and Trading, Shipping and Commercial Property Development.

Chief Financial Officer £60,000+

The Position
- Chief Financial Officer based in Geneva.
- Responsibility for financial, treasury and accounting functions of the Group.

Qualifications
- Qualified Chartered Accountant with at least 5 years relevant commercial experience.
- Experience in designing and implementing management controls and reporting systems.
- Flexibility and strong communication/presentation skills essential.
- 30-40 years old.

Compensation
- A remuneration package to reflect ability and experience will be offered to the successful candidate.

Please apply in writing, with full Curriculum Vitae including present salary details to:

RGA Network
Grafton House
High Street, Burford
Oxfordshire OX8 4QU

DIVISIONAL FINANCE DIRECTOR – EUROPE

c£35-40,000 + Car + Benefits + Full Relocation Package (if required)

South West London

Our client is an international market leader within the highly competitive beverages sector with activities spanning the sales, marketing, production and distribution of a variety of household name brands. They are committed to achieving further growth and profitability through the development of brands and a continuing investment in people.

The finance department is central to the successful management planning, direction and control of the *business. An outstanding opportunity* has arisen for an experienced professional to assume the No. 1 finance role within a key specialist business unit.

Reporting to the VP — European Operations, liaising extensively with international sales managers, key responsibilities will include the commercial analysis and strategic planning for all operating businesses, budgetary and monthly management reporting, the improvement of existing information systems, as well as ensuring finance continues to make a significant contribution to the growth and profitability of the business.

This important appointment demands an effective and creative commercial approach, combined with strong accounting and analytical skills *ideally* gained at an operational *level* preferably within an FMCG, sales or brand led environment. The successful individual will probably be a qualified Accountant or MBA with a minimum of five years post qualification experience, ideally aged between 30-40. Success in this appointment will lead to wide opportunities for accelerated *career development within the Group.*

For further information and a confidential discussion contact our consultant Sharon Parekh on 071-387 5400 (evenings 081-363 0474) or write to her at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. (Fax: 071-388 0857).

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No agencies please

Financial Controller

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This newly-acquired subsidiary of a major public Group imports and distributes food products to a substantial retail and wholesale customer base. It is a fast-moving, profitable and expanding business with a current turnover of £15m. A new position has now been created for a young, talented professional to introduce the necessary systems and accounting disciplines to achieve the exacting standards set by the new parent Group. Future developments will make the role even more fulfilling and exciting.

The Role
- Introduce new computerised systems and establish a sophisticated management information package.
- Prepare and present a meaningful monthly package to strict timetables for both local management and Group requirements
- Establish budgetary control, including *profitability analysis*, cash management and forecasting in a multi-currency environment.
- Report to Managing Director: act as part of senior management team to help drive business forward.

The Requirement
- Qualified accountant, graduate calibre; aged late 20's, early 30's.
- Successful track record to date; experience in fast-moving service or trading business preferred.
- Self-motivated, hands-on approach essential.
- Able to operate with flair, initiative and communicative skills to gain credibility with colleagues in effecting change within demanding environment.
- French language advantageous but not essential.

Please apply in writing, enclosing full c.v. quoting Ref: M745

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Amethyst House, Spring Gardens, Manchester M2 1EA. Tel: 061-834 0618

FINANCE DIRECTOR

£36,000 to £44,000
(plus bonus and benefits)
3 year fixed term contract

The North Middlesex Hospital has achieved its first year's objectives as a first wave NHS Trust.

In the past year we have successfully reduced *waiting lists, increased facilities and improved the* wards of this large general hospital which serves the densely populated north east London catchment area.

We now seek to appoint a Finance Director to play a high profile role on our *Trust Board and further* build upon the successes of the past year. The successful applicant will contribute to the corporate strategy/business plan, and will be expected to restructure, and then manage, a 40 strong department.

We need a qualified accountant, with considerable corporate or NHS experience together with drive and leadership. Knowledge of the financial regime of a *Trust would be a distinct advantage.*

Further details and an application form are available from the Chief Executive's Office - contact Jean Smith, Telephone number 081 887 2390 - Sterling Way, London N18 1QX.

Closing date: Wednesday 20th May, 1992

We intend to hold the interviews for this post on Friday 29th May, 1992

THE NORTH MIDDLESEX HOSPITAL
Caring for the people of North London

The North Middlesex Hospital NHS Trust

Middle East – Gulf

GROUP CHIEF ACCOUNTANT

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Reporting to the Financial Director the Chief Accountant will be responsible for the setting up and further development of accounting policies and procedures including reporting systems, review and consolidation of accounts, the preparation of management accounts *and budgeting.*

Candidates should possess a recognised professional qualification, be between 35-45 and have a minimum 10 years' experience in a similar or comparative position. A *confident* and commercially minded professional is required with good communication skills, adaptable and able to manage and motivate a multinational staff.

The salary will reflect the status of the appointment and the package includes family accommodation, a car, air fares and education allowances for up to two children.

If you have the ability and experience we are seeking please send detailed CV or telephone for information to:

Martin Dyas or Sarah Dudley
S&N Corporate Services, Recruitment Consultants,
135 Notting Hill Gate, London W11 3LB.
Tel: 071-243 0504. Fax: 071-229 2150

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As a result of recent organisational restructuring, two new finance positions have been created. Recently qualified Chartered Accountants (male/female) will find these positions both stimulating and challenging. Our clients, a major international financial services group, have stipulated that the successful candidates must posess good analytical skills and the self motivation necessary *to cope with the demands of these high profile roles. Reporting to the Group* Management Accountant, the areas of responsibility will include financial and management reporting, along with the preparation of short term and strategic cash flow statements, and the monitoring of both capital and exceptional items of expenditure. In the longer term, opportunities for advancement within the group are exceptionally good. Ref: 2160/FT. Write or telephone for an application form or send full details (with daytime telephone number and current salary) to RP Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24hours).

Phillips & Carpenter
Selection Consultants

FINANCIAL CONTROLLER

Property Management
London
c. £30,000 + usual benefits

Following a major reorganisation of its financial management systems this West End-based *commercial property managing agents, surveyors* and valuers seeks to appoint a Financial Controller who will report at board level and head an existing accounts team.

You will be a *qualified accountant*, age 30-35, with previous experience in this sector. The role will require a comprehensive understanding of property management accounting, both for tenants and landlords, as well as a good knowledge of the financial accounting requirements needed to support *this medium-sized surveying practice.*

Using an integrated accounting system designed for property companies and managing agents, you will be responsible for the supervision and control of the accounts department and the management and financial information produced by it.

Candidates with appropriate *experience* should apply with detailed C.V. in strict confidence to J. Caplan FCA, David Lewis & Partners, 76 Gloucester Place, London W1H 4DQ, marking their envelope strictly private and confidential.

APPOINTMENTS WANTED

EUROPEAN FINANCE DIRECTOR

Finance Director with a commercial focus seeks blue chip group that is intent on building a pan European business.

Experience *within* industry and more recently the city includes board level financial responsibility for UK companies, and financial control and general management roles in overseas subsidiaries. Recent focus on European strategy, acquisitions and joint ventures.

British engineering graduate, chartered management accountant, aged 42. Excellent French, some Italian and German.

If interested please send details to Box A1830
Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The Harmonisation of Taxation Systems In Europe

A seminar, sponsored by Robert Walters Associates, in conjunction with The Financial Times and The American Taxation Institute in Europe.

Venue:	The Hilton Hotel Boulevard de Waterloo 38 1000 Brussels
Date:	Wednesday 20 May 1992
Time:	12.00pm
Speakers:	Mr David Carr, DGXV, European Commission
	Mr Malcolm Penney FCA FTII. Président Comité Fiscal Confederation Fiscale Europeenne

Much of the legislation enshrined in the Treaty of Rome has a significant impact upon the way commercial organisations govern themselves. This is especially the case with regard to taxation systems which vary greatly between different countries, giving rise to significant distortions within the internal market to the cost of those companies with *multinational networks.*

The recently published Ruding Report has produced a series of recommendations, some of which may be controversial, aimed at a more harmonised tax base across all member states. Robert Walters Associates have therefore invited Mr David Carr, who was closely involved in the *preparation of Ruding, to address the Report's key recommendations.*

Mr Malcolm Penney, who in addition to his EC representative activities is a tax partner with Ernst & Young, will also address the seminar. He has accumulated extensive experience of advising a wide range of multinational companies and will be outlining the ways in which businesses are attempting to adjust themselves in post-1992 Europe with regard to recent tax developments within the EC.

This seminar will be of great interest to senior financial and taxation executives *working within multinational organisations. It is free of charge* and a buffet lunch will be provided after the speeches.

To reserve a place phone Samantha Van Dyk on 071-379 3333 or write to her at **Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Fax 071-915 8714.**

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM BRUSSELS AMSTERDAM PARIS

IEA confirms upturn in oil consumption

By Deborah Hargreaves

SIGNS OF a pick-up in oil consumption were confirmed yesterday by the International Energy Agency, the west's oil industry monitoring body, which, in its April market report, highlighted a 2 per cent increase in first quarter oil demand in members of the Organisation for Economic Co-operation and Development.

Renewed confidence amongst oil traders that world demand is beginning to rise has supported the market in the past two weeks. But North Sea Brent crude oil for June delivery eased 10 cents yesterday to $19.50 a barrel.

The IEA revised North American demand upwards for the first quarter to 18.7m barrels a day, an increase of 3 per cent over the same period last year amid signs that the US economy is emerging from recession.

The IEA expects OECD oil demand to average 37m b/d in the second quarter, a rise of 0.5 per cent from the same quarter in 1991.

A report by Kleinwort Benson, the UK merchant bank, forecasts a resumption of robust growth in oil consumption in the next couple of years with world demand up by 0.8 per cent or 500,000 b/d this year. It predicts an increase in demand of 1.8 per cent next year and 2.4 per cent in 1994.

The IEA expects OECD oil demand to average 38.4m b/d over the year – an increase of about 1 per cent from last year. However, growth in North American oil demand is being offset by a slowdown in consumption in the Pacific region as economic activity remains sluggish.

Oil production by members of the Organisation of Petroleum Exporting Countries remained steady in April at 23.5m b/d according to the IEA. Opec reiterated its current production ceiling of just under 23m b/d at its last meeting on April 24, stressing a commitment to ensure that all members cut output to achieve that level.

The IEA pointed out that Iran's output dipped slightly in April to 3.3m b/d from 3.4m b/d.

The decline in oil production in the CIS slowed in March, the IEA reported, to 9.5m b/d from a level of 9.6m b/d in January and February. The agency said that production for the whole of the first quarter was estimated to have dropped 12 per cent against the same period last year to 9.55m b/d.

Japanese to join Oman gas project

By Mark Nicholson, Middle East Correspondent

THREE Japanese companies have announced that they will join a $9bn project to develop a liquefied natural gas industry in Oman, completing the ownership structure for the commercial exploitation of the Sultanate's gas reserves.

Mitsubishi Corporation, Mitsui & Company and C. Itoh & Company will together take a joint 7 per cent stake in a state-controlled company to develop the downstream exploitation of Oman's gas reserves. Proven reserves in 1991 were 9.8 trillion (million million) cubic feet, but some estimates put potential reserves nearer at 17 trillion cu ft.

The Sultanate will hold 51 per cent of the downstream venture, which will oversee gas liquefaction, shipping and marketing. Shell will hold 34 per cent of the downstream company, Total 6 per cent and Partex 2 per cent, following agreement on the venture in February.

These companies hold comparable shares in Petroleum Development Oman, the state-owned oil group, which will control gas production and condensate development.

Shell International Gas has already completed an early feasibility study for the launch of Oman's gas industry which suggests the Sultanate could viably produce 5m tonnes a year. Further studies and development could take another eight years and first LNG shipments are expected in mid-1999.

Reserves are reported to allow for 20 years of exports and up to 50 years of domestic consumption.

Commercial exploitation of its gas reserves will be a welcome addition to Oman's trading position given the Sultanate's modest position among Gulf oil producers. Output is set to rise by 50,000 barrels a day to 750,000 b/d this year.

Mexico to ease way for mining investors

Damian Fraser in Mexico City

THE MEXICAN government has submitted new mining laws to congress that will lighten the administrative burden of investing in the country's mining sector, and provide greater legal security for the investor.

The new laws, which are certain to be passed by congress, will scrap all restrictions for Mexicans on investing in concessions in the mineral sector, except in hydrocarbons and uranium. Previously domestic investors in strategic minerals, such as rock phosphate, sulphur and potassium, wishing to have full ownership rights over a concession were forced to enter into a limited partnership with the government, to whom they would have to pay royalties and surrender a percentage of profits. Private investment in coal was prohibited.

The government will also ease restrictions on foreign investment in concessions for gold, silver, lead, zinc and copper mining. In the past foreign investors in these sectors had to be minority partners or set up cumbersome trusts that allowed them to circumvent the law. Now foreign investors can purchase 100 per cent of the full voting shares of a mining company.

Mexico's constitution reserves to the state mineral ownership, but allows the government to sell off concessions. The new legislation increases the period of concession for prospecting from three to six years and for exploitation from 25 to 50 years, both periods being renewable.

Mexico, whose economy under Spanish colonial rule was built on the exploitation of its huge mineral deposits, is still the world's largest producer of silver, and among the top producers of sodium, graphite, copper, sulphur and zinc. The government has also reduced by half taxes on mining concessions in the past two years to 3.5 per cent, and plans to eliminate them altogether in another two years, in the hope of attracting more investment.

CORRECTION

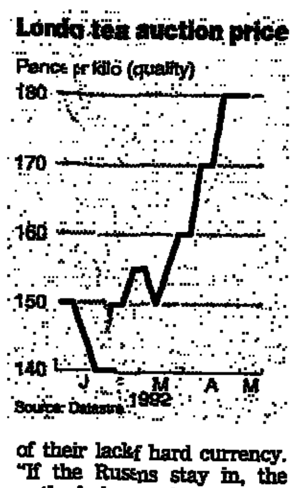
Coffee stocks

E.D. & F. Man, the London trade house, estimates stocks of coffee held in importing countries at 19m bags (60 kg each), not 90m bags as reported yesterday.

Droughts send world tea prices higher

By David Blackwell

London tea auction price



DROUGHT IN Africa, southern India and Sri Lanka has curbed world tea production, sending London auction prices steadily higher since the beginning of the year.

Quality tea this week fetched 180p a kilogram, compared with 150p in early January. Over the same period good medium quality tea has risen from 115p to 135p a kilogram.

"It has changed from a buyers' to a sellers' market," said one trader yesterday.

The drought in Africa has hit production in Malawi, Zimbabwe and Kenya, where problems are thought to have been exacerbated by tribal unrest.

In Sri Lanka and southern India, which had record crops last year in conditions generally considered ideal, drought also led to output cuts.

At the same time stocks in consuming countries are low. In the UK, still the biggest tea importer, basic stocks are down to just over 30.6m kg from last year's 34.4m kg, itself considered to be a low level. The destocking was prompted by high interest rates, a weak market and improvements in efficiency, observers believe.

Further complicating the picture has been the reappearance of buying by the Russians, who had been staying away because of their lack of hard currency. "If the Russians stay in, the outlook is quite favourable," one trader said yesterday.

Mr Illtyd Lewis, executive director of the Tea Council, said most tea offered at the London auction had been taken up recently. Buyers were taking fully into account the climatic conditions, the Russians and low stock levels.

The Economist Intelligence Unit expects black tea production this year to fall by 20,000 tonnes to 1.69m tonnes. It estimates consumption at 1.73m tonnes. The best hope for an improvement in prices is the continuation of the decline in world export availability, the EIU says in its last World Commodity Forecast

Banana plan 'a Pandora's box'

Nancy Dunne in Washington

PRESIDENT Rafael Leonardo Callejas of Honduras yesterday said the European Commission would be opening "a Pandora's box" by imposing a new European Community-wide quota on Latin American bananas of 1.4m tonnes.

This would cut the Latin Americans' current market share by 1m tonnes and cost the struggling democracies in the region thousands of comparatively well paid jobs.

The commission's proposal, intended to benefit banana exporting countries in the former European colonies, would require a waiver from the General Agreement on Tariffs and Trade, the president said on a visit to Washington yesterday. That would set a precedent for a barrage of waivers from countries wanting to protect sensitive farm sectors, particularly in the event of farm trade reform in the Uruguay Round.

President Callejas said he had requested President Bush's support yesterday for denial of the Gatt waiver to the Community. Mr Bush's response was an enigmatic promise to "be supportive of all decisions within the framework of Gatt".

The Hondurans argue that the proposed regime, like the existing regime, is inconsistent with the Gatt because it contravenes international commitments calling for the most complete liberalisation possible of trade in tropical products. It would undermine, rather than support, the economies of the developing countries at a time when their other agriculture products were facing severe market conditions.

"Coffee is at the lowest price in years," President Callejas said. "Our terms of trade are going against us."

Eventually, he said, the EC would have to change its policy. The inefficient countries, which had continued to produce bananas because of special treatment by the community, would have failed to develop alternative exports for which they were more suited; the Latin American countries would have suffered environmental damage by switching to inappropriate crops like maize.

President Callejas expressed his determination to pursue free trade policies. On May 12, the first steps will be taken towards establishing a Central American free trade zone, initially including Guatemala, Salvador and Honduras, and later Costa Rica and Nicaragua.

Honduras is hoping to join the Gatt in May. In 1996, it is planning to agree on a free trade zone with Mexico and in the same year it will pursue a free trade agreement with the US.

S African farmers to get £740m relief

MR KRAAI van Niekerk, the South African agriculture minister, yesterday announced a R3.8bn rand (£740m) drought aid package, which he called the most significant rescue bid ever for the country's farmers.

"These measures are being established in order to relieve the effects of the most serious drought yet experienced in South Africa this century," he said.

The four-year package includes R1bn already announced for drought relief in the national budget in March.

"Without intervention by the state, serious disruption of the South African economy can take place," Mr van Niekerk said.

The economy is gripped by its longest recession since the second world war, sapped by years of sanctions and labouring under weak world prices for the country's main export, gold.

Because of widespread crop failure, South Africa, normally a leading exporter of maize, is seeking to import 5m tonnes.

Saving energy with born-again beverage cans

Geoffrey Dyer reports on the growth of the aluminium recycling sector in the US

A SOPHISTICATED collection system has allowed aluminium beverage can recycling in the US to set a new record of nearly 57bn cans in 1991, up 3 per cent from the 1990 record of 55bn.

The can recycling figures contribute to the growth of the American aluminium secondary industry, which over the past decade has accounted for about 30 per cent of total US aluminium supply.

"Of all the metals that are recycled today aluminium continues to be the model," according to Mr Richard Holder, chairman of the Washington based Aluminium Association.

The recycling rate for aluminium cans in 1991 was 62.4 per cent and reflects the increasing efficiency of the system through which producers pay customers for returning cans.

Because of the relatively high scrap value of aluminium smelters have a strong incentive to recycle and to pay for the recovery, transportation and processing of the cans. A system has been set up with 10,000 collection points and including everyone from private businesses to boy scouts.

The Aluminium Association claims the system to be so efficient that a can may be purchased, used, recycled and returned to the shelf in as little as six weeks.

Technological developments have allowed for more efficient production and the weight of an aluminium beverage can is 30 per cent less than it was years ago.

Last year's recycling rate did fall from the 1990 rate of 63.6 per cent, but Mr Holder believes that some recyclers may have held over cans in the hope that the recession would end this year and that the aluminium prices would rise. He believes that in the long-term a recycling rate of close to 100 per cent is still a "reasonable target".

Aluminium is an ideal metal for recycling, not just because of its high scrap value but because it is relatively easy to recycle and can be used again and again.

The benefits from recycling are both economic and environmental. Aluminium is one of the most energy-intensive materials in common use, the main requirement being the electricity needed to smelt aluminium from alumina (the intermediate material produced from bauxite ore). Recycling requires only 5 per cent of the energy that is needed to produce aluminium from bauxite.

One study has estimated that doubling worldwide aluminium recovery rates would eliminate over 1m tonnes of air pollutants, including toxic fluoride.

The savings on raw materials are considerable. For every tonne of resmelted aluminium, four tonnes of bauxite and 700 kg of petroleum coke and pitch are saved. Recycling also reduces the requirements of landfill space.

Recyclers have gone to considerable lengths to make themselves more efficient in recent years. The scrap collection networks have been extended, although they do not rival the schemes for beverage cans.

Improvements in processing and engineering techniques, making the plants less labour-intensive, a reduction in fuel consumption and more sophisticated methods of avoiding impurities have all helped to reduce costs.

Ironically, the producers of such environmentally-sound materials have found it difficult to cut costs because of the burden of environmental legislation upon them. Regulation in the 1980s has become "much more cumbersome and burdensome", according to Mr Howard Sinclair, Vice President of Wabash Alloys in Wabash, Indiana.

The 1990 Clean Air Act has created the most impact and producers have had to concentrate their minds on ways to reduce waste and pollution at every stage of the process.

The enforcement, as much as the nature of the regulations, has become stricter. "While our customers want us to lower costs and increase efficiency, the government seems to want us to increase costs," laments Mr Sinclair.

Aluminium recovered from scrap is an increasingly important part of the US aluminium supply and the 1990 figure for secondary recovery of 2.4m tonnes was an increase of 16.5 per cent from 1989.

As well as cans the American aluminium industry recycles many consumer products including used motor parts, garden chairs and pots and pans.

Scrap that is produced by manufacturers during processing, like clippings, cuttings and turnings, is immediately diverted to the aluminium recycling stream and "in-house" scrap which is generated by foundries is remelted and recycled on the premises.

The scrap is crushed and melted in a furnace, where other metals are added to the aluminium to alloy it. The melted aluminium is usually solidified as an ingot and sold as a number of products such as foil, wire or sheet.

Some secondary producers recycle aluminium scrap into forms which are used as deoxidisers by the steel industry and into other products which are used by the chemical, coating, powder and paste industries.

MARKET REPORT

London **COCOA** prices continued along the downward path, nearby July closing above an earlier 16½-year low of £561 a tonne. Dealers said any rally in cocoa prices is likely to run into heavy origin sales. There were indications of some selling by both the Ivory Coast and possibly Ghana yesterday. Psychological support is seen emerging around £550 for July. Robusta **COFFEE** prices failed to rise significantly despite gains in New York linked to continued speculation about what steps key producers such as Colombia and Brazil might take to stem the recent steep decline. New York analysts said that technical indicators showed the arabica market to be very oversold. Trade sources said the market remains awash in supply and origin sales are seen keeping any upswing from running away. **ZINC** prices eased on the LME, and the premium for cash metal over three-month narrowed in spite of nervousness over technical tightness of supplies. The decline followed Wednesday's fall below $1,280 a tonne for three-month metal. **TIN** renewed its advance during late trading and closed at fresh 13-month highs, while **COPPER** moved out of its recent dull range to end at four-week highs.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.15-7.25q	+.075
Brent Blend (dated)	$19.60-9.70	
Brent Blend (Jun)	$19.60-9.65	+.025
W.T.I (1 pm est)	$20.75-0.80q	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$228-230	-2
Gas Oil	$179-180	-3
Heavy Fuel Oil	$74-76	
Naphtha	$188-190	+1
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$336.30	-0.50
Silver (per troy oz)♣	405c	-2
Platinum (per troy oz)	$351.25	-2.0
Palladium (per troy oz)	$82.75	-0.25
Copper (US Producer)	103.50c	+0.11
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.63r	+0.02
Tin (New York)	277.5c	+3.0
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.32p	+0.61*
Sheep (live weight)†♣	95.52p	+3.50*
Pigs (live weight)†	100.89p	-0.65*
London daily sugar (raw)	$242.0t	-0.5
London daily sugar (white)	$261.0t	+0.5
Tate and Lyle export price	£243.5	-1.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	£120w	
Rubber (Jun)▼	55.25p	-0.25
Rubber (Jul)▼	55.50p	-0.50
Rubber (KL RSS No 1 Jun)	219.5r	-1.5
Coconut oil (Philippines)§	$640.0t	+10.0
Palm Oil (Malaysian)§	$377.5q	
Copra (Philippines)§	$410	+2.5
Soyabeans (US)	£149.5q	-0.5
Cotton "A" index	60.00c	-0.40
Wooltops (64s Super)	434p	-10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May. q-Jun. †Meat Commission average fatstock prices. * change from a week ago. ▼London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg ♣Sheep prices are now live weight prices.

WORLD COMMODITIES PRICES

COCOA – London FOX £/tonne

	Close	Previous	High/Low
May	540	549	543 536
Jul	567	575	573 561
Sep	592	602	601 587
Dec	627	637	635 622
Mar	658	672	669 654
May	680	695	686 674
Jul	702	718	711 698
Sep	721	736	725 721
Mar	777	790	775

Turnover: 8990 (5297) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for May 6 728.96 (743.09) 10 day average for May.7 749.56 (752.41)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
May	670	688	685 662
Jul	693	690	708 684
Sep	713	713	730 706
Nov	732	729	751 728
Jan	748	751	765 750
Mar	765	768	785 765
May	785		810 805

Turnover:4144 (5677) lots of 5 tonnes. ICO indicator prices (US cents per pound) for May 6: Comp. daily 46.54 (47.63) 15 day average 50.61 (51.08)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	215.00	213.00	215.00 209.00
Oct	201.60	201.00	200.40
Dec	194.00	190.00	187.60
White	**Close**	**Previous**	**High/Low**
Aug	278.00	275.50	278.50 274.50
Oct	269.90	267.00	269.50 266.50
Dec	269.80		266.50 266.50
May	267.90	268.50	268.00
Aug	272.90		271.50
Oct	267.90		263.00

Turnover: Raw 157 (62) lots of 50 tonnes. White 574 (764) Paris- White (FFr per tonne): Aug 1554.58 Oct 1516.46

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Jun	120.0		117.5
Nov	80.0	80.0	74.0
Apr	116.0	111.2	115.5 110.0

Turnover 166 (105) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	125.00		
Aug	121.20	120.00	121.20

Turnover 65 (94) lots of 20 tonnes.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jun	19.53	19.64	19.67 19.48
Jul	19.40	19.45	19.50 19.33
Aug	19.37	19.37	19.39 19.24
Oct	19.25	19.27	19.25
Nov	19.21	19.25	19.21
Dec	19.13	19.18	19.13
IPE Index	19.66	19.74	

Turnover 25000 (27263)

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
May	1292	1270	1295 1280
Jun	1248	1225	1250 1235
Jul	1165	1140	1165 1140
Oct	1271	1245	1271 1265
Jan	1275	1250	1275
BFI	1240	1232	

Turnover 406 (131)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
May	177.25	179.50	178.75 176.00
Jun	177.25	179.25	178.50 176.00
Jul	178.00	179.50	178.75 176.75
Aug	180.00	181.50	180.00 178.75
Sep	182.00	183.75	182.25 180.50
Oct	184.00	185.50	184.25 182.50
Nov	186.00	186.50	185.00 184.00
Dec	188.75	187.25	185.00

Turnover 15822 (12524)lots of 100 tonnes

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
May	126.00	126.05	126.20 126.00
Jun	126.90	127.25	127.25 126.80
Nov	114.40	114.40	114.40 114.20
Jan	117.60	117.90	117.90 117.75
Mar	120.85	120.60	120.85 120.65
May	124.00		124.00 123.85
Barley	**Close**	**Previous**	**High/Low**
May	118.00	118.25	118.00
Sep	108.40	108.50	108.40
Jan	115.25		115.25 115.05

Turnover: Wheat 239 (272) , Barley 28 (36). Turnover lots of 100 Tonnes.

FRUIT AND VEGETABLES

Top quality pineapples from the Ivory Coast are plentiful this week and are priced between 90p-£1.40 (80p-£1.50), reports FFVIB. Different varieties of apples remain good buys including Cape and Chilean Granny Smith at 50-60p a lb (50-65p). Majorcan new potatoes are superb at 25-30p a lb (40-45p), along with English spring greens at 30-35p a lb (30-35p) and English and French Hispi cabbage at 30-35p a lb (30-35p). New season French iceberg at 60-75p each (60-65p) are plentiful along with Spanis imports at 55-65p each (55-65p). British red and green peppers are good at £1.50-1.70 a lb (£1.50-1.70).

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	117.0	118.0	117.0 116.8
Aug	105.0	106.5	105.0 104.2
Sep	105.5	106.5	105.5 104.5
Oct	105.5	106.5	105.3 105.0

Turnover: 18 (34) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover	4,362 lots
Cash	1298.5-9.5	1291-2		1298-8.5		
3 months	1324-5	1317-8	1326/1323	1324-4.5	1324-5	18[illegible] lots
Copper, Grade A (£ per tonne)					Total daily turnover	433 lots
Cash	1231.5-2.5	1226.5-7.5	1233.5/1227	1227-7.5		
3 months	1262.5-3	1258.5-9.0	1264/1258	1258-8.5	1263.5-4	104,7[illegible] lots
Lead (£ per tonne)					Total daily turnover	37 lots
Cash	291.5-2.5	290.5-1.5		293.5-4.5		
3 months	304-5	303-3.5	306.5/303.5	305-6.5	304.5-5	16,813 lots
Nickel ($ per tonne)					Total daily turnover	4,[illegible] lots
Cash	7325-35	7345-60	7320	7320-5		
3 months	7415-20	7435-40	7440/7410	7405-10	7415-20	24,599 lots
Tin ($ per tonne)					Total daily turnover	2,6[illegible] lots
Cash	5925-35	5910-20	5915	5915-20		
3 months	5955-60	5935-40	5975/5930	5940-5	597[illegible]-80	7,301 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover	18,109 lots
Cash	1356-60	1378-80	1354/1352	1352-3		
3 months	1266-7	1272-4	1275/1260	1263-4	1268-9	57,757 lots

LME Closing £/$ rate: SPOT: 1.7965 3 months: 1.7893 6 months: 1.7431 9 months: 1.722

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	336.10-336.50	
Opening	336.40-336.70	
Morning fix	336.25	187.159
Afternoon fix	336.05	186.767
Day's high	336.70-337.00	
Day's low	335.70-336.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.96	6 months	3.13
2 months	2.96	12 months	3.34
3 months	3.01		

Silver fix	p/fine oz	US cts equiv
Spot	225.05	404.50
3 months	230.75	408.45
6 months	236.60	412.90
12 months	247.30	422.15

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	336.00-337.00	186.50-187.50
Maple leaf	347.00-348.00	192.75-193.75
New Sovereign	81.00-82.00	45.00-46.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	120	141	3	9
1300	44	70	26	37
1400	8	27	90	93
Copper (Grade A)	**Calls**		**Puts**	
2100	131	144	3	9
2200	44	70	28	37
2300	6	27	90	93
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	48	75	6	12
700	17	43	24	30
750	4	23	61	60
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
500	28		11	
575	15	38	23	21
600	8	25	41	33
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1900	62		6	
1950	23	45	20	56
2000	5	23	53	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	335.8	337.2	0	0
Jun	335.9	337.5	337.2	335.7
Jul	336.8	338.4	0	0
Aug	337.6	339.3	338.9	337.6
Oct	339.3	341.1	340.0	339.6
Dec	341.3	343.1	342.8	341.1
Feb	343.6	345.4	345.0	343.9
Apr	345.9	347.7	346.5	346.0
Jun	348.3	350.1	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
May	348.9	0	348.5	348.5
Jul	350.9	352.2	352.0	350.5
Oct	354.8	356.0	355.5	353.5
Jan	354.5	355.7	355.5	354.0
Apr	358.0	357.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	403.4	408.5	404.0	402.0
Jun	404.5	407.7	0	0
Jul	405.8	409.0	407.5	404.0
Sep	408.9	412.1	410.0	407.5
Dec	413.7	416.9	415.0	412.5
Jan	415.3	418.5	0	0
Mar	419.0	422.2	420.0	420.0
May	422.8	426.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	100.45	99.75	100.80	100.00
Jun	100.85	100.10	100.90	100.70
Jul	101.20	100.45	101.30	100.70
Aug	101.35	100.65	0	0
Sep	101.40	100.75	101.50	101.00
Oct	101.45	100.80	0	0
Nov	101.45	100.90	0	0
Dec	101.50	100.95	101.50	101.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.71	20.77	20.83	20.60
Jul	20.81	20.85	20.91	20.70
Aug	20.84	20.87	20.93	20.75
Sep	20.78	20.82	20.85	20.72
Oct	20.72	20.76	20.78	20.66
Nov	20.64	20.69	20.68	20.59
Dec	20.61	20.64	20.67	20.54
Jan	20.51	20.56	20.57	[illegible]
Feb	20.44	20.49	20.49	[illegible]
Mar	20.37	20.43	20.37	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5755	5707	5795	5665
Jul	5695	5676	5735	5640
Aug	5760	5740	5780	5710
Sep	5865	5855	5850	5850
Oct	5965	5950	5940	5925
Nov	6060	6035	6060	6020
Dec	6140	6120	6155	6125
Jan	6120	6140	6125	6125
Feb	6035	6035	0	0
Mar	5815	5815	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	854	850	872	872
Jul	904	907	916	900
Sep	944	950	955	943
Dec	995	999	1008	993
Mar	1043	1046	1046	1043
May	1071	1075	1081	1074
Jul	1102	1106	1110	1106
Sep	1129	1133	1133	1133
Dec	1169	1173	1175	1175

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	59.65	58.20	59.90	58.25
Jul	60.70	59.25	61.20	59.80
Sep	63.25	61.50	63.50	62.00
Dec	66.60	64.95	66.75	66.10
Mar	70.15	68.25	70.00	69.00
May	73.65	71.60	73.25	72.50
Jul	76.25	74.00	76.00	75.50
Sep	78.25	76.60	78.50	78.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.70	9.54	9.71	9.38
Oct	9.05	8.98	9.05	8.87
Mar	8.91	8.85	8.93	8.76
May	8.84	8.82	8.90	8.75
Jul	8.86	8.83	0	0
Oct	8.83	8.80	8.75	8.69

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	59.85	60.24	59.63
Oct	[illegible]	61.05	61.30	60.90
Dec	[illegible]	61.72	62.00	61.50
Mar	[illegible]	62.85	63.15	62.75
May	[illegible]	63.44	0	0
Jul	[illegible]	63.70	64.15	64.15
Oct	[illegible]	63.20	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	137.2[illegible]	136.60	137.75	137.15
Jul	129.2[illegible]	128.30	130.00	128.10
Sep	121.75	120.90	122.50	121.50
Nov	114.50	[illegible]	115.00	114.00
Jan	113.45	112.60	113.30	113.25
Mar	113.60	112.60	113.60	112.80
May	113.20	[illegible]	0	0
Jul	113.20	[illegible]	0	0
Sep	113.20	[illegible]	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 7	May 6	mnth ago	yr ago
1576.7	15[illegible]	1636.9	1728.9

DOW JONES (Base: Dec. 31 1974 = 100)

	May 6	May 5	mnth ago	yr ago
Spot	116.07	116.[illegible]	116.47	127.70
Futures	118.29	118.[illegible]	120.51	126.39

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	593/2	588/0	593/4	588/2
Jul	597/6	594/0	598/0	593/4
Aug	601/6	597/6	601/6	597/4
Sep	605/6	601/0	606/0	602/0
Nov	613/2	609/2	613/4	609/2
Jan	621/6	617/0	622/0	618/0
Mar	631/0	628/0	631/0	627/6
May	637/0	633/4	637/0	635/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	20.23	20.15	20.27	20.06
Jul	20.46	20.40	20.54	20.32
Aug	20.60	20.54	20.68	20.46
Sep	20.80	20.72	20.95	20.72
Oct	21.01	20.86	21.03	20.87
Dec	21.37	21.19	21.42	21.16
Jan	21.46	21.30	0	0
Mar	21.65	21.60	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	178.7	177.1	178.8	177.4
Jul	181.2	179.8	181.5	179.8
Aug	182.1	180.5	182.3	180.8
Sep	182.9	181.4	183.2	181.7
Oct	198.8	198.6	200.0	198.5
Dec	200.1	199.0	200.2	198.6
Jan	200.3	199.0	200.3	199.5
Mar	200.3	199.0	200.8	200.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	257/6	253/4	257/6	254/2
Jul	263/2	260/0	264/0	260/0
Sep	262/6	259/6	263/0	259/4
Dec	262/6	260/2	263/0	259/0
Mar	270/0	268/0	270/0	268/6
May	274/0	271/4	274/4	271/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	387/6	381/6	388/4	383/4
Jul	376/4	371/6	378/0	370/4
Sep	379/2	375/2	380/6	374/6
Dec	386/6	382/4	387/4	381/0
Mar	384/4	382/2	385/0	380/4
May	370/0	369/4	374/0	370/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	74.425	73.975	74.450	74.125
Aug	71.600	70.900	71.650	71.050
Oct	70.825	70.175	70.850	70.225
Dec	70.025	69.550	70.050	69.625
Feb	69.450	69.100	69.500	69.150
Apr	70.625	70.250	70.650	70.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	48.925	47.525	48.650	47.850
Jul	46.350	45.550	46.450	45.600
Aug	44.425	43.675	44.500	43.875
Oct	40.750	40.400	40.950	40.500
Dec	43.000	42.650	43.125	42.550
Feb	43.675	43.400	44.100	43.500
Apr	42.700	42.475	42.750	42.450

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	37.175	35.175	37.175	35.700
Jul	37.050	35.050	37.050	35.600
Aug	34.950	32.950	34.950	33.500
Feb	43.825	42.850	43.900	42.600
Mar	42.850	42.150	43.550	42.850
May	43.600	42.700	43.700	43.600

هكذا عن التصل

LONDON STOCK EXCHANGE

Market dips after hitting new record

By Steve Thompson

LONDON'S equity market extended its record-breaking run, punching its way through the 2,700 barrier and reaching another all-time high, before turning back sharply amid hints that the first of an expected rash of big rights issues is imminent.

After a volatile session, the FT-SE 100-share Index settled 3.2 higher at 2,701.9. There was further encouragement with yesterday's turnover figures: swollen by yet another big share placing, the number of shares traded reached 784.3m, way above the depressed levels of last year and continuing the run of heavy post-general election activity.

Since the election there have been only two trading sessions where the value of customer business transacted in the marketplace has fallen below the £1bn mark. One of those sessions was just after the Easter bank holiday.

There was further stimulation for the market from the latest economic data, which showed domestic car sales during April 9.1 per cent up on last year – the first increase since October 1989 – while a number of UK building societies reduced their mortgage rates. Another boost to the market's confidence came from sterling's latest good showing. The UK currency, helped by a reduction in French interest rates and no shift in German interest rates, extended its recent strong performance, closing sharply higher against the dollar and D-Mark.

Account Dealing Dates		
First Dealings:		
Apr 27	May 11	Jun 1
Option Declarations:		
May 7	May 28	Jun 11
Last Dealings:		
May 8	May 29	Jun 12
Account Day:		
May 18	Jun 8	Jun 22

*New-time dealings may take place from 8.30 am two business days earlier.

The wave of overseas buying that drove the Footsie to the brink of 2,700 on Wednesday was evident again first thing yesterday, with the big US investment banks said to have been particularly aggressive.

With the Footsie future continuing to hold up well, the cash market built confidently on a firm opening and gradually worked up from an opening gain of 4.6 to reach another all-time high of 2,714.1 ahead of Wall Street's opening. A slightly disappointing performance by the US market, which initially edged higher but quickly ran into a flurry of profit-taking, triggered similar selling in London.

The selling, although never heavy, was sufficient to push the Footsie into negative territory, albeit briefly. It was around this time that the rights issue stories began circulate. British Airways was one big name mentioned as a potential fund raiser.

First-quarter figures from BP, the oil giant, were also said to have been partly responsible for denting the market's confidence. Enthusiasm for BP shares, after the maintained dividend, was quickly eroded. Sears, the retailer, was another poor performer with a veiled warning about the dividend upsetting the market and prompting a sharp decline in the shares. On the upside, BET climbed after a broker buy recommendation. The Scottish power generators, which have badly underperformed the utilities sectors and the market since their flotations last year, raced higher as marketmakers were caught short of stock.

The current fashion for big share placings continued yesterday with agency broker James Capel said to have placed 41m shares in Queens Moat, the hotels group. Prudential Group was said to have been the seller.

Poor BP figures disappoint

FIRST-QUARTER profits from British Petroleum were expected to be bad, but the extent of the slide still managed to surprise the market. An early rise for the shares was reversed, leaving a decline of 2¼ on the day at 259½p. Volume reached almost 20m.

Analysts had begun to wonder whether BP was not finally beginning to be oversold, but yesterday's presentation reinforced the gloom. Mr Nick Clayton of Smith New Court cut his full-year historic cost forecast by £50m to £600m. He said: "There was nothing in the statement to give any cause for optimism."

Traditionally pessimistic Strauss Turnbull cut back its historic cost forecast by £106m to £400m. The house repeated its belief that the dividend would be reduced in the third quarter and said the shares were worth 220p at best.

Queens Moat active

A big placing of 41m Queens Moat Houses shares yesterday saw 86m traded in the market, with insurance concern Prudential reported to have sold its 4.5 per cent stake in the hotel group. Coincidentally, the sale came the day on which Queens Moat's annual report landed on fund managers' desks.

Agency broker James Capel was thought to have done the business, with the block bought at 85½p and placed at 86½p. The shares slipped 3½ to 88½p in a weak hotel sector.

Sears tumbles

Retailer Sears saw its heaviest turnover for more than five years as the group announced a sharp fall in full-year profits and raised doubts about the next dividend. The shares fell 6½ to 97p, the biggest percentage drop among the FT-SE Index of 100 leading companies.

However, buyers were attracted ahead of the stock going ex the dividend on Monday, and the two-way pull ensured that more than 28m shares were dealt by the close. Kleinwort Benson lowered its full-year forecast by £10m to £100m but advised holding the shares at least until securing the dividend.

BT benefited from heavy buying across the utilities sectors, 19.5m shares being traded in the fully-paid, and a further 15m in the partly-paid. The former rose a penny to 347½p and the latter ¾ to 127½p.

Strong subscriber figures for April lifted Vodafone Group, as Kleinwort Benson underlined its buy recommendation. The shares rose 7 to 364p.

Enthusiasm ahead of a presentation today by Reuters Holdings to analysts in Geneva left the shares 14 up at 1227p.

A profits warning from the eponymous chairman depressed Bernard Matthews shares, which lost 6 to 64p.

Unilever rose 12 to 930p as it returned to favour. The market range for first-quarter profits due on May 15 is between £360m and £400m.

BET strengthened 12 to 154p on reports that S.G. Warburg, which has been negative on the stock for the last three years, had turned buyer. The word is that Warburg cited changes in the management at BET for its move and is said to believe that a dividend cut is now discounted in the share price. Turnover reached 6.2m.

Confirmation that a consortium led by Trafalgar House is to be the lead contractor to build a suspension bridge in Hong Kong sent the company's shares climbing [illegible] to 152p in heavy turnover of [illegible].6m.

Lloyds Bank [illegible] 7 to 410p amid worries that its proposed hostile bid for Midland Bank (off a penny at 389p) may be referred to the UK Monopolies and Mergers Commission.

Electricity utilities were strong, with Scottish Hydro-Electric, up [illegible] at 198p, and Northern Electricity, ahead 13 at 336p, the star performers.

A block of [illegible]5m British Land shares came to the market as one institution decided to switch out of the property group. The stock slipped 4 to 195p as the Seaq ticker reported [illegible]m shares traded. S.G. Warburg was said to have bought the stock for 190½p and placed 2.9m at 192p. Hammerson "A" was busy and 2 lighter at 371p after 2.4m dealt.

US credit rating agency Standard & Poor's downgraded Taylor Woodrow's rating, blaming the continued depressed state of the UK property and building market. The shares, however, closed 6 firmer at 140p.

An upbeat statement at the T & N annual meeting helped the shares climb 11½ to 154½p. Trading was also boosted by broker recommendations.

Nomura and Smith New Court produced substantive documents on Granada Group, with both houses recommending the stock. The shares rose 6 to 280p.

Mr Chris Page at Goldman Sachs reiterated his overvalued stance on Ladbroke shares, which tumbled 10 to 254p in turnover of 5.4m.

Publisher Euromoney received a boost on the back of good interim profits and a raised dividend. S.G. Warburg Securities highlighted the stock in a big review of media stocks published yesterday. The shares, which stood at 400p in November, jumped 102p yesterday to close at 785p.

Troubled WPP fell again as concern about the group's refinancing continued. The shares lost 12½ to 45½p.

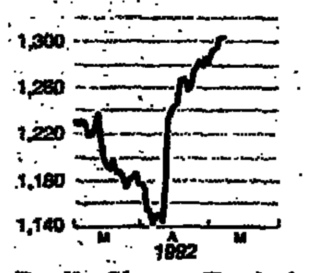
Eurotunnel gave up 8 to 390p after a Magazine survey revealed passenger fears about using the Channel tunnel when it opens.

Light selling was seen in BAA, the shares easing 2 to 629p. There were suggestions in the market that the company would announce its plans for a fifth terminal at London's Heathrow airport next Tuesday. The group reports full-year figures on June 8. Charterhouse Tilney predicts profits of £176m.

Closer inspection of Wednesday's traffic figures, which revealed premier passenger numbers to be around the levels of two years ago, sent British Airways down 8½ to 284p on turnover of 6.1m.

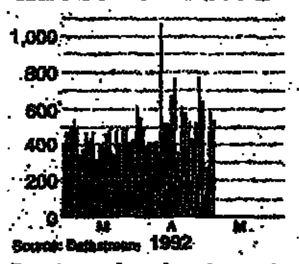
Smith New Court was reported to have turned cautious on the figures. In addition, there were suggestions in the market that BA may soon strike a deal to purchase TWA's European assets.

FT–A All–Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John,

■ Other market statistics, Page 19.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (367).
BRITISH FUNDS (3) Tr 3pc '92, Fd 6pc '93, Tr 2pc IL '94, AMERICANS (1) Chase Manhattan, BANKS (3) NatWest, Royal Bk Scot, Standard Chart, BREWERS (11) Bass, Bulmer, Burtonwood, Grand Met, Greenalls, Guinness, Do 5¾pc Pf, Invergordon, Matthew Clark, Whitbread A, Wolv & Dud, BLDG MATLS (12) Breedon, Kalon, Lafarge, Litteshall, Do 9pc Pf, Marshalls, Do 6½pc Cv, Polypipe, Russell, Spring Ram, Tilon, Widnes, BUSINESS SERVS (8) BPP, Capita, Davis Serv, ISS-Intl Serv B, MITIE, Securiguard, Sherwood, Willis, CHEMS (8) Akzo, Evode, Do 7p Pf, Hickson, ICI, Montedison, Plysu, Porvair, Yorkshire, CONGLOMERATES (5) Bodycote, Grampian, Hanson Wts, Do 9½pc Cv, MB Caradon 7¼pc Pf, CONTRACTING & CONSTRCN (14) AMEC 6½p Pf, Ashtead, Avonside, Ball, Bellway, Bryant, CALA, Countryside, Hewden-St, Laing, Do A, Tay Homes, Tilbury Dgls, Wiggins, ELECTRICALS (5) Burnfield, Denmans, Jones Stroud, Nolds Pf, Volex, ELECTRICITY (11) London, Manweb, Midlands, Northern, Norweb, Scot Hydro, Scot Power, Seaboard, Southern, Sth Western, Yorkshire, ELECTRONICS (17) Admiral, Blick, Southorpe, Comp People, Control Tech, Domino, Eurotherm, GEC, INSTEM, Kode, MTL Instrs, Macro 4, Falcon, Radius, Sanderson, TGL, Telemetrix, ENG AERO (1) Smith Inds, ENG GEN (21) Adwest, Babcock, Barry Wehmiller, Brammer, Concentric, Fothes, GEI, Haima, Hampson 8½pc Pf, Houlden, Metalrax, Plasmec, Rotork, Senior, Siebe, Spirax-S, TT, Vosper, Wagon, Weir, Weeson, FOOD MANUF (4) Acatos & H, Barr, JLI, Nichols, FOOD RETAILING (4) Geest, Morrison, Park, Thorntons, HEALTH & HSEHOLD (5) Beepak, Community Hosp, Intercare, Jayes, Ransom, Scholl, HOTELS & LEIS (8) Hi-Tec, Photo-Me, Queens Moat, Thorn EMI, Tomorrows, INSCE COMPOSITE (4) CU, GRE, Gen Accident, Sun Alliance, INSCE LIFE (1) Refuge, INV TRUSTS (188) MEDIA (17) Adscene, Aegis 9½pc Pf, CIA, Carlton Comms, Euromoney, GWR, HTV, Haynes, Headline, Independent, Johnston, News Intl, Ports & Sund, Reuters, Scot TV, Trinity, Wetmoughs, MTL & MTL FORMING (7) Ash & Lacy, Br Steel, Castings, [illegible]

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Thursday May 7 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed May 6 Index No.	Tue May 5 Index No.	Fri May 1 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (179)	909.20	+1.0	6.76	5.12	19.24	14.30	900.49	888.58	889.01	852.37
2	Building Materials (22)	1096.90	+0.7	5.54	5.40	25.43	18.61	1088.87	1083.09	1085.58	1108.54
3	Contracting, Construction (28)	1042.88	+1.2	5.63	5.79	27.87	22.00	1030.04	1024.29	1021.14	1332.53
4	Electricals (8)	2600.08	+1.2	7.12	5.67	18.26	68.82	2570.51	2589.58	2578.08	2400.13
5	Electronics (29)	2030.93	+0.8	8.86	4.18	14.31	4.21	2014.21	1991.30	1986.60	1805.51
6	Engineering-Aerospace (7)	393.46	+1.2	8.91	6.60	14.23	10.89	388.63	386.33	388.53	444.63
7	Engineering-General (44)	546.58	+1.2	7.61	4.31	16.31	7.37	539.88	536.18	534.57	448.12
8	Metals and Metal Forming (8)	372.71	-1.1	1.25	9.29	–	0.32	376.74	367.56	363.83	461.63
9	Motors (14)	383.10	+2.8	6.97	6.14	18.86	9.96	372.72	362.54	363.98	333.10
10	Other Industrial Materials (19)	1862.90	+0.9	6.67	4.45	18.05	33.24	1847.05	1806.73	1812.42	1547.34
21	CONSUMER GROUP (188)	1735.92	......	6.96	3.28	17.61	14.22	1735.03	1717.24	1709.79	1485.64
22	Brewers and Distillers (24)	2243.43	+0.3	7.31	3.25	16.39	16.80	2236.08	2197.60	2192.56	1841.38
25	Food Manufacturing (17)	1289.58	+0.6	8.36	4.07	14.81	17.10	1282.35	1277.83	1278.46	1185.96
26	Food Retailing (18)	2830.41	+0.9	8.14	3.06	15.97	18.63	2805.28	2805.63	2821.98	2836.45
27	Health and Household (24)	4251.55	-0.1	6.49	2.49	17.56	30.61	4255.03	4188.08	4104.35	3324.03
29	Hotels and Leisure (20)	1431.75	-0.8	5.96	4.77	21.65	23.10	1442.96	1421.31	1410.35	1372.24
30	Media (25)	1676.72	+0.7	5.74	3.27	21.69	17.30	1664.74	1665.32	1657.28	1476.85
31	Packaging, Paper & Printing (17)	859.61	+0.5	6.07	3.84	19.90	10.45	855.60	852.06	845.20	692.57
34	Stores (33)	1093.87	-1.2	6.81	3.31	19.43	2.69	1107.14	1097.29	1111.50	933.59
35	Textiles (10)	752.91	+0.3	6.34	4.12	19.92	3.32	750.53	743.96	737.33	539.11
40	OTHER GROUPS (116)	1337.72	+0.4	9.02	4.87	13.95	13.84	1333.04	1316.12	1314.69	1241.67
41	Business Services (17)	1468.39	+1.3	6.67	4.30	19.13	13.18	1450.10	1433.33	1432.69	1235.24
42	Chemicals (22)	1613.26	+0.2	6.51	4.51	18.79	24.16	1609.57	1601.23	1601.70	1299.53
43	Conglomerates (11)	1463.59	+0.4	9.64	7.06	12.69	9.34	1458.14	1443.67	1445.59	1583.75
44	Transport (14)	2694.91	-0.8	4.62	4.22	28.48	30.47	2717.76	2667.47	2657.60	2250.74
45	Electricity (16)	1310.61	+1.2	13.40	4.97	9.73	17.21	1294.61	1282.12	1292.09	1209.07
46	Telephone Networks (4)	1441.99	+0.5	10.87	4.35	12.01	16.02	1435.01	1417.26	1418.63	1484.78
47	Water (10)	2906.61	-0.4	14.67	5.47	7.51	0.00	2916.88	2863.47	2855.74	2502.86
48	Miscellaneous (22)	2142.06	+0.3	5.51	4.60	23.97	20.93	2135.09	2093.03	2064.44	1909.73
49	INDUSTRIAL GROUP (483)	1404.94	+0.3	7.57	4.12	16.51	14.44	1400.50	1384.29	1380.94	1255.43
51	Oil & Gas (17)	2114.05	-0.5	7.19	6.72	18.28	53.06	2124.40	2125.55	2148.74	2445.15
59	500 SHARE INDEX ([illegible])	1473.82	+0.2	7.53	4.38	16.67	17.34	1470.35	1455.12	1453.58	1356.36
61	FINANCIAL GROUP ([illegible]7)	773.40	+0.4	–	5.86	–	16.40	770.45	755.04	751.82	820.43
62	Banks (9)	971.07	+0.3	4.97	5.62	31.82	22.89	967.97	940.83	938.18	917.61
65	Insurance (Life) (6)	1534.72	-0.2	–	5.80	–	44.26	1538.16	1502.29	1478.49	1510.37
66	Insurance (Composite) (7)	554.13	+1.4	–	6.28	–	13.46	546.59	526.30	525.06	689.07
67	Insurance (Brokers) (10)	972.60	+0.5	7.94	6.89	16.63	20.48	967.93	966.86	982.24	1119.19
68	Merchant Banks ([illegible])	507.89	+0.3	–	4.08	–	4.25	506.28	509.28	510.94	427.72
69	Property (33)	714.82	......	7.50	6.39	18.56	6.50	715.20	724.25	716.91	995.67
70	Other Financial ([illegible])	261.90	+0.7	6.63	6.60	20.66	3.12	260.09	257.85	256.49	289.11
71	Investment Trusts (70)	1260.64	+0.6	–	3.55	–	11.14	1252.97	1243.54	1237.14	1220.62
99	ALL-SHARE INDEX (657)	1306.82	+0.3	–	4.54	–	16.72	1303.40	1288.53	1286.55	1226.05

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 6	May 5	May 1	Apr 30	Apr 29	Year ago
FT-SE 100 SHARE INDEX‡	2701.9	+3.2	2714.1	2697.8	2698.7	2662.2	2659.8	2654.1	2664.9	2541.8

FIXED INTEREST

	PRICE INDICES	Thu May 7	Day's change %	Wed May 6	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 yrs (27)	122.27	+0.07	122.19	1.74	4.62
2	5-15 yrs (25)	138.00	+0.10	137.87	1.80	5.45
3	Over 15 yrs (9)	149.70	+0.06	149.61	2.72	3.39
4	Irredeemables (6)	163.03	+0.02	162.99	0.26	6.11
5	All stocks (67)	135.60	+0.08	135.49	1.89	5.04
	Index-linked					
6	Up to 5 years (2)	170.71	+0.30	170.20	0.39	1.83
7	Over 5 years (9)	148.74	+0.10	148.59	0.81	1.64
8	All stocks (11)	150.61	+0.13	150.41	0.75	1.65
9	Debs & Loans (62)	119.52	+0.20	119.28	2.17	4.26

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 7	Wed May 6	Year ago (approx.)
	British Government				
1	Low	5 years	8.26	8.34	9.22
2	Coupons	15 years	9.05	9.05	9.66
3	(0%-7¾%)	20 years	9.05	9.05	9.78
4	Medium	5 years	9.25	9.26	10.21
5	Coupons	15 years	9.08	9.08	10.09
6	(8%-10¾%)	20 years	9.06	9.07	10.05
7	High	5 years	9.47	9.48	10.36
8	Coupons	15 years	9.20	9.21	10.27
9	(11%-)	20 years	9.16	9.16	10.23
10	Irredeemables		9.27	9.27	10.00
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.83	3.90	3.74
12	Inflation rate 5%	Over 5 yrs.	4.41	4.42	4.10
13	Inflation rate 10%	Up to 5 yrs.	3.15	3.22	2.91
14	Inflation rate 10%	Over 5 yrs.	4.23	4.24	3.92
15	Debs &	5 years	10.61	10.62	11.88
16	Loans	15 years	10.45	10.47	11.63
17		25 years	10.35	10.37	11.42

Opening index 2703.3; 9 am 2705.7; 10 am 2713.6; 11 am 2706.2; Noon 2709.6; 1 pm 2711.8; 2 pm 2712.4; 2.30 pm 2703.3; 3 pm 2704.4; 4.10 pm 2701.7; (a) 1.54pm (b) 3.37pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FIMSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

FINANCIAL TIMES STOCK INDICES

	May 7	May 6	May 5	May 1	Apr 30	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.57	88.56	88.49	88.61	88.48	85.03	88.82 (15/4)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.45	103.43	103.46	102.98	102.78	94.12	103.46 (5/5)	97.15 (2/1)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2110.2	2107.2	2083.3	2061.7	2073.3	1896.2	2110.2 (7/5)	1851.4 (3/4)	2110.2 (7/5/92)	49.4 (26/6/40)
Gold Mines	111.3	110.8	110.9	108.0	107.9	145.6	160.6 (10/1)	106.6 (29/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2701.9	2698.7	2662.2	2659.8	2654.1	2541.8	2701.9 (7/5)	2382.7 (3/4)	2701.9 (7/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1237.52	1232.81	1224.04	1223.64†	1222.07	1171.30	1237.52 (7/5)	1120.52 (8/1)	1237.52 (7/5/92)	938.82 (16/1/91)
●Ord. Div. Yield	4.30	4.31	4.36	4.39	4.39	4.82				
●Earning Yld %(full)	6.11	6.13	6.26	6.28	6.31	8.64				
●P/E Ratio(Net)(☆)	20.54	20.49	20.05	19.98	19.92	14.22				
SEAQ Bargns 5.00pm	39,243	30,988	29,118	27,423	27,989	28,309				
Equity Turnover(£m)†	-	1232.3	1086.1	1055.6	1471.1	725.89				
Equity Bargains†	-	35,137	33,578	30,451	32,960	28,841				
Shares Traded (ml)†	-	557.3	587.1	534.7	659.3	330.0				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 19.10. † Partial.

Ordinary Share Index, Hourly changes — Day's High 2120.9 — Day's Low 2108.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2112.7	2113.8	2119.5	2115.4	2117.2	2118.8	2119.0	2114.1	2110.7

FT-SE 100, Hourly changes — Day's High 2714.1 — Day's Low 2697.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2703.3	2705.7	2713.6	2706.2	2709.6	2711.8	2712.4	2704.4	2701.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1240.98 — Day's Low 1236.17

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1239.27	1239.27	1238.38	1239.27	1239.57	1240.80	1237.40

GILT EDGED ACTIVITY

Indices*	May 6	May 5
Gilt Edged Bargains	144.7	141.0
5 – Day average	117.9	108.1

*SE Activity 1974
†Excluding intra-market business and Overseas turnover.

London report and latest Share index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADERS IN stock index futures spoke of a lacklustre session with dealers undecided about the direction of the market, although the general mood remained positive, writes Joel Kibazo.

The June contract experienced a squeeze early in the session which sent it up 8 to 2,750 by 10am. This proved to be the day's high. Caution set in and June retreated as independent traders went "long", and it reached 2,730 by early afternoon.

Reports from Paris of an indirect cut in French interest rates were taken as positive in London, and not only halted the downward trend of June but led to renewed buying interest.

June closed at 2,739, a premium of 37 to cash and around 19 points above its estimated fair value premium of about 18. Turnover was 7,270.

The traded options market was particularly busy, and the day's turnover rose to 52,978 contracts. The volume in the FT-SE option was also high, at 17,042 lots. Also active were the individual stock options. Amstrad led the way, recording a total of 3,773 trades, with the June 90 puts the busiest series. This was followed by BP, which released disappointing figures and traded 3,014 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 High	1992 Low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
3pc 1992		99½xd	+1/16	99½	97[illegible]	3.02	7.75
Exch 12¾pc 1992		100⅝	—	101¼	100[illegible]	12.17	8.91
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 High	1992 Low	Yield Int.	Yield Red.
Exch 12¼pc 1999		114[illegible]	+[illegible]	114[illegible]	109½	10.72	9.26
Treas 10½pc 1999		106[illegible]xd	+[illegible]	106[illegible]	101[illegible]	9.87	9.24
Conversion 10¼pc 1999		105[illegible]xd	+[illegible]	105½	100[illegible]	9.72	9.25
9pc 2000		[illegible]	+[illegible]	[illegible]	94¾	9.14	9.07
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 High	1992 Low	Yield (1)	Yield (2)
Index-Linked							
Treas. 2pc '94	(102.9)	125½xd	+[illegible]	125¼	122¾	2.91	3.75
2pc '96	(67.9)	181[illegible]	+[illegible]	181[illegible]	176¾	3.27	3.86
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1991: 134.1 and for March 1992: 136.7.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1992 High	1992 Low	Yield Int.	Yield Red.
[illegible]							

Much the same as you, no doubt.

Nicholas Woodsworth commandeered a Jeep to escort the beautiful Nino back to a remote Russian mountain fastness where a love-struck tribesman had nearly made her his slave.

Philip Coggan turns explorer to hunt down profits in the emerging markets of the capitalist jungle.

Scheherazade Daneshkhu wonders whether that flash plastic card really does do very nicely any more.

What is the FT getting up to this Weekend?

In the garden, things are hotting up. Peter Knight advises on how to keep plants watered without turning on the tap.

David Marsh finds a harsh welcome for refugees as Europe begins to close its borders.

And Christian Tyler finds that life in the Promised Land is not all milk and honey for the incoming Soviet Jews

And so it goes on . . .

Weekend FT
Saturday May 9

THE EARTH SUMMIT

The Earth summit in Rio de Janerio aims to bring together more than 160 World leaders to discuss the environmental agenda for the future. On May 29 1992, the Financial Times will publish a survey entitled The Earth Summit which will examine the prospects for the summit, its scope and likely outcomes. This survey will attract widespread interest amongst the Financial Times business readership world-wide for whom environmental issues continue to be of major importance. 42% of Chief Executives in Europe's top companies ranked the protection of the environments among the top three future developments likely to have greatest impact on their business in the near future. If you want to reach this influential audience, call
Alicia Andrews:
on 071 873 3565
or fax 071 873 3062.

Data source: Chief Executives in Europe 1990

FT SURVEYS

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.14	16.82	16.82
0100	17.14	16.81	16.81
0130	17.19	16.88	16.88
0200	18.77	23.60	26.02
0230	19.14	23.50	25.06
0300	19.14	23.50	25.04
0330	17.19	20.11	21.36
0400	17.15	16.97	16.97
0430	17.14	16.86	16.86
0500	17.14	16.86	16.86
0530	17.15	16.78	16.78
0600	17.16	16.81	16.81
0630	17.19	16.86	16.86
0700	17.28	16.86	16.86
0730	20.87	20.49	21.94
0800	22.82	22.47	24.02
0830	24.30	24.99	26.61
0900	24.31	25.01	26.64
0930	24.31	24.97	26.59
1000	24.31	24.94	26.57
1030	24.31	22.43	23.96
1100	24.31	22.21	23.71
1130	24.31	22.13	23.64
1200	30.18	21.71	23.19
1230	30.18	20.49	21.94
1300	30.17	20.48	21.93
1330	23.01	19.87	21.29
1400	22.71	19.16	20.58
1430	21.51	18.97	20.37
1500	20.87	18.97	20.37
1530	20.87	18.97	20.38
1600	20.87	18.97	20.37
1630	20.87	18.97	20.37
1700	20.87	18.97	20.37
1730	20.87	18.72	20.11
1800	20.68	18.97	20.37
1830	20.58	17.57	18.88
1900	20.07	16.81	16.81
1930	20.07	16.81	16.81
2000	19.29	16.97	16.97
2030	17.21	22.36	23.85
2100	26.40	22.36	23.84
2130	26.60	22.36	23.84
2200	26.60	22.36	23.86
2230	26.40	17.52	18.88
2300	21.51	16.81	16.81
2330	19.06	16.75	16.75
2400	17.19	16.71	16.71

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs	38¾xd	−⅜	38⅞	34	15,628	1.8
♥Allegheny & W	249p	−30	335p	226p	129.4	6.8
Amdahl	963p	−14	1189p	815p	1,988	0.6
Amer Cyanamid	33⅞	−¼	37	32¼	3,108	2.7
Amer Express	12½xd	−⅛	13⅞	10⅞	5,902	4.5
Amer T & T	24½xd	−⅛	24⅞	20⅛	32,302	3.0
Ameritech	34⅝	−⅛	36⅞	32½	15,160	5.7
BankAmerica	25¼xd	−⅜	25⅝	19⅛	8,980	2.8
Bankers NY	33¼xd	+⅝	37¼	28⅞	2,781	8.1
Bell Atlantic	24½	−½	26¼	23¼	10,619	8.0
BellSouth	27	−⅝	28¼	25	13,140	5.8
♥Bethlehem Steel	8¼xd	—	9⅝	7	630.1	—
Bowater	1383pxd	−72	1670p	1078p	468.8	5.2
CPC h	23¼xc	−⅜	25⅝	22¼	3,520	2.9
California Engy	714p	—	833p	646p	130.8	—
Campbell Soup	19⅞	−⅝	23⅞	18⅞	4,854	2.3
Chase Manhattan	15⅞xd	+½	18⅞	9⅛	2,188	4.3
Chrysler	10½xd	—	11⅛	6⅛	3,868	3.2
Citicorp	10⅞xd	−⅛	11	5⅞	3,667	—
Colgate-Palm	28⅞xd	+⅛	28⅞	25¼	4,534	2.1
Cont'l Bank	849p	—	1036p	499p	859.0	3.8
Dana	23⅛xd	−½	24½	14⅞	971.2	3.5
Data General	527p	+11	1004p	487p	145.4	—
Dial	19½xd	—	24⅛	18⅞	782.8	3.2
Dun & Brad	29½	−⅞	33½	28⅞	5,284	4.4
Eaton	43⅞	+⅛	45½	32½	1,490	2.8
Echlin	10⅛xd	+¼	11	7⅞	588.4	3.9
FPL	19⅞xd	−⅛	20	18⅛	3,326	6.9
Fluor	24⅞xd	+⅛	27	21	1,981	0.9
Ford Motor	25⅞xd	+⅛	25¾	15	12,270	2.2
Gen Elect	42⅞xd	−⅛	46¼	40⅞	37,048	2.7
♥General Host	484p	+4	558p	360p	—	4.3
Gillette	27¼xd	+⅛	29⅞	20⅛	5,968	1.5
Hasbro h	14⅞	—	16	12⅞	1,238	0.5
Honeywell	41⅛xd	−⅛	43	34⅞	2,871	2.3
Houston Inds	24⅝	−⅛	25	23	3,169	6.8
IBM	61⅞xd	−⅜	64½	46¾	29,715	5.2
Ingersoll-Rand	34⅞xd	+⅛	35⅞	25⅞	1,792	2.2
Lockheed	25⅛	−½	25⅞	22⅞	1,584	4.7
Lowe's	2134p	−8	2478p	1631p	777.8	1.5

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension

[illegible]

- n Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
- yield, p/e based on latest annual earnings.
- M Yield based on prospectus or other
- xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	117.5	118.7	125.0	-1.40	0.00
AIB Grofund Equity	5	183.1	185.3xd	196.1	+1.30	2.13
AIB Grofund Euro	5	135.7	137.6	144.9	+0.20	0.67
AIB Grofund Gilt	3	72.87	72.88	75.14	+0.19	5.39
AIB Grofund Japan	5	108.8	110.0	115.8	+2.80	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	120.0	120.0	127.3	+0.3	8.13
High Inc Equity	6	134.7	137.7xd	146.4	+1.9	5.81
Worldwide Bond	6	212.3	212.3xd	225.0	-0.7	6.32
Capital Growth						
American Growth	6	207.1	207.1	221.4	-1.5	.96
Asian Pacific	6	144.0	147.0	156.3	+0.1	1.30
Assets & Earnings	6	195.7	199.6xd	212.3	+2.8	2.95
Capital Reserve Acc	0	114.7	114.7	114.8	+0.1	7.82
Capital Reserve Inc	0	84.81	84.81	84.88	+0.05	7.82
Comdty & Energy	6	66.52	66.52	71.14	+0.09	1.21
1992 Enterprise	6	72.69	72.69	77.74	+0.75	3.01
Euro Capital Acc	6	91.51	91.51	97.87	+0.10	1.06
Euro Capital Inc	6	86.71	86.71xd	92.73	+0.08	1.08
General	6	182.8	182.8	195.5	+2.9	2.97
Japan	6	75.25	75.25	80.48	+1.92	-
Mastertrust	6	91.35	91.35	97.70	+0.85	2.51
UK Growth Acc	6	177.1	184.7	196.4	+0.9	2.58
UK Growth Dist	6	111.9	116.6xd	124.0	+0.6	2.65
US Emerging Cos	6	73.86	73.86	78.99	-1.18	-
Income & Growth	6	315.7	315.7xd	337.6	+5.4	4.15
Ethical	6	58.25	59.70	63.51	+0.51	3.12
International	6	61.74	62.66	66.65	+0.25	1.35
Dividend & Growth	6	51.45	52.59	55.94	+0.79	5.36
Global Gwth & Sec	6	54.34	54.61	58.09	+0.27	3.20

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Small Cos	0	1166.0	1166.0	1230.0	+24.0	-

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5¼	31.17	31.17xd	32.99	-0.09	2.56
Cash	0	50.71	50.71	50.71	+0.01	10.15
European	5¼	72.02	72.02	76.41	-0.03	0.00
European Income	5¼	70.86	71.22	75.13	-0.14	1.79
Exempt	1	853.2	853.2xd	880.2	+8.6	3.19
Extra Income	5¼	38.71	38.71	42.02	+0.41	5.43
Far East Emerg Econs	5¼	55.68	55.68	59.88	+0.07	1.07
Fixed Interest	5¼	17.10	17.64	18.84	-0.06	10.53
Fund Inv Tst	5	116.7	120.3xd	128.3	+1.7	1.33
Fund Inv Tst Acc	5	190.5	196.3xd	209.5	+2.8	1.31
Japan	5¼	125.1	125.1	132.9	+1.8	0.00

[illegible]

Brown Shipley & Co Ltd – Contd.

[illegible]

Dimensional Tst Mangmt Ltd (0900)F

[illegible]

Gartmore Fund Managers – Contd.

[illegible]

Kleinwort Benson Unit Trusts – Contd.

[illegible]

Mercury Fund Managers Ltd – Contd.

[illegible]

Pearl Unit Trusts Ltd (1000)H

[illegible]

Save & Prosper Group (0900)H

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

هكذا اصل التجميل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Allied Dunbar Assurance Plc—Contd.

Citibank Life

Equitable Life Assurance Society

Henderson Administration(z)

Life Association of Scotland

NEL Britannia Assce Co Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or –	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionmaster* & Unit-Linked Plan*				
Mixed Fund	465.3	489.8	+3.3	–
Ordinary Share Fund	723.8	761.9	+5.9	–
International Fund	169.3	178.2	+1.6	–
Property Fund	259.6	273.3	+0.2	–
Fixed Interest Fund	407.3	428.7	+0.5	–
Index-Linked Sec Fund	192.6	202.7	+2.1	–
Deposit Fund	281.6	296.4	+0.3	–
Norwich Units Apr 22	1116.59			–
*Prices as at April 30				
Jersey Investment Plan				
With Profits Fund	124.27	130.82	+0.04	–
Int/ Equity Fund	93.80	98.74	+0.40	–
Intl Bond Fund	118.10	124.32	–0.27	–
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich. NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd	334.73	340.17	+2.68	–
Growth Managed Fd	111.95	113.88	+1.05	–
Sentinel Managed Fd	108.68	110.02	+0.67	–
Prices as at May 1				
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134.3	141.3	– –	–
Property Acc. (Gross)	255.9	269.4	+0.1	–
Equity (Gross)	928.8	977.6	+13.2	–
Managed (Gross)	639.8	673.4	+6.9	–
Property Acc. (Net)	122.2	128.7		–
Equity (Net)	214.2	225.4	+2.8	–
Managed (Net)	196.1	206.4	+2.0	–
International (Net)	169.3	178.2	+1.1	–
Gilt & Fixed Interest	139.0	146.4	+0.4	–
Money Fund	138.5	145.8	– –	–
Mixed Fund (Cap)	121.5	127.9	– –	–
Mixed Fund (Acc)	125.2	131.8	– –	–
Adventurous Managed	95.6	100.6	+0.1	–
Cautious Managed	95.1	100.1	–0.1	–

Provident Mutual Life Assc. Assn.–Contd.

[illegible]

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

[illegible]

Sun Alliance Group

St Mark's Court Horsham 0403 232323

[illegible]

Wesleyan Assurance Society

Colmore Circus, Birmingham, B4 6AR 021-200 3003

[illegible]

Windsor Life Assce Co Ltd

Windsor House, Telford, Shropshire 0952 292929

[illegible]

OFFSHORE INSURANCES

[illegible]

Providence Capital International Ltd – Contd.

[illegible]

Royal Life Intl. Ltd

Royal Court, Arbory Rd, Castletown IoM 0624 821212

[illegible]

MANAGEMENT SERVICES

[illegible]

J. D. Ward Financial Services Ltd

9 Kingsway, London WC2 B6XF 071-836 4321

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Rothschild Asset Management – Contd.

[illegible]

Royal Bank of Canada Offshore Fd Mgrs Ltd

[illegible]

GUERNSEY (REGULATED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Wellington Fd Mngrs (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intal Growth Fd	$13 41	14 09	..	-

Wells Fargo U.S. TT Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Wells Fargo A Shs		$10 84	+0 04	-
Wells Fargo B Shs		$10 08	+0 09	-

Worldwide Limited

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Mar 31		$100 22	..	-

Xiphias International Investment Fd Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Xiphias Inc USD		$1 0756	..	-
Xiphias Inc ECU		Ecu1.0670		-

Yamaichi Capital Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Thai Inv Fund		$9 75	..	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. u Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ※ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase, all ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission. Ireland: Central Bank of Ireland. Isle of Man: Financial Supervision Commission. Jersey: Commercial Relations Department. Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and Franc perform well

A good performance by both sterling and the French franc on foreign exchanges yesterday tested the received wisdom that EMS-member countries need to keep their interest rates significantly above Germany's, *writes James Blitz.*

Only two days after the Bank of England engineered a ½ point cut in UK base rates, sterling continued to perform well against both the D-Mark and the dollar, with several analysts suggesting that it has not yet fully tested its upside. The pound ended the day at DM2.9400, up 1½ pfennigs on its previous close. It also performed well against the dollar, ending the day at $1.7965, against a previous close of $1.7945. In the early afternoon, sterling crossed the $1.80 point for the first time since February.

At the same time, the French franc suffered only a slight loss in the markets, despite a decision by the Banque de France to signal a ¼ per cent cut in base rates. The Bank had cut the reserve requirement on banks' sight deposits to 1 per cent from 4.1 per cent with effect from May 16. The D-Mark registered only a slight gain against the French currency, ending the day in London at around FFr3.3669 after closing on Wednesday at FFr3.3662.

Both currencies will have immediately gained from the German Bundesbank's decision not to raise its emergency Lombard rate yesterday, as some traders had feared. But analysts also feel that the market is being increasingly guided by factors other than the level of interest rates. "There has been a lot of discussion in Europe about the need for EMS-member countries to keep interest rates above Germany's," said Mr Mark Austin, chief economist of the Hongkong and Shanghai Bank in London yesterday. "That wisdom is now taking a blow after the performance of sterling and the franc."

The Bundesbank's decision not to hike rates also gave the dollar its first positive day of the week, with the US unit ending up at DM1.6360 against a previous close of DM1.6305. According to some traders, the market had been short of dollars before the Bundesbank council, and had to cover itself afterwards. The nervousness about the D-Mark was also compounded by news that German public sector employers had raised their pay offer to striking workers in a bid to end the 11-day-old strike, potentially raising new difficulties over fiscal policy.

But disappointment remained that the dollar had not staged a more impressive rally. Against the yen, it gained only slightly, closing at Y132.70 against a previous close of Y132.40.

The market's eyes will be fixed on today's US monthly employment report, which analysts see as the first indicator for a week to give signs of the long-awaited US recovery.

£ IN NEW YORK

May 7	Latest	Previous Close
£ Spot	1.7955-1.7965	1.7970-1.7980
1 month	0.96-0.95pm	0.96-0.95pm
3 months	2.75-2.72pm	2.81-2.78pm
12 months	9.08-8.98pm	9.12-9.02pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May 7	Previous
8.30 am	92.6	92.1
9.00 am	92.7	92.1
10.00 am	92.6	92.2
11.00 am	92.7	92.2
Noon	92.7	92.3
1.00 pm	92.7	92.3
2.00 pm	92.8	92.3
3.00 pm	92.8	92.4
4.00 pm	92.8	92.5

CURRENCY MOVEMENTS

May 7	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.8	-19.2
U.S Dollar	64.4	-14.0
Canadian Dollar	99.9	-2.1
Austrian Schilling	110.0	+12.2
Belgian Franc	111.3	-2.1
Danish Kroner	109.1	+3.1
D-Mark	118.4	+24.8
Swiss Franc	104.1	+12.6
Dutch Guilder	114.2	+16.1
French Franc	104.3	-12.0
Lira	98.6	-20.0
Yen	138.3	+72.3
Peseta	108.0	-18.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May 6

CURRENCY RATES

May 7	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.771510	0.700054
U.S Dollar	3.50	1.37946	1.25905
Canadian $	6.97	1.65080	1.50645
Austrian Sch	7.50	15.8569	14.4576
Belgian Franc	8.50	46.4085	42.2757
Danish Krone	9.50	8.72026	7.93892
D-Mark	8.00	N/A	2.05439
Dutch Guilder	8.50	2.53931	2.31224
French Franc	10¼	7.59807	6.91469
Italian Lira	12	1695.80	1545.29
Japanese Yen	3.75	182.916	166.383
Norway Krone	-	8.80854	8.02013
Spanish Peseta	-	141.415	128.565
Swedish Krona	10.00	8.13537	7.40609
Swiss Franc	7.00	2.07678	1.89298
Greek Drach	19	N/A	241.901
Irish Punt	-	N/A	0.769965

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland † European Commission Calculations. * All SDR rates are for May 6

OTHER CURRENCIES

May 7	£	$
Argentina	1.7815 - 1.7845	0.9900 - 0.9910
Australia	2.3780 - 2.3800	1.3320 - 1.3330
Brazil	4425.60 - 4428.40	2459.35 - 2459.55
Finland	7.9695 - 7.9830	4.4330 - 4.4360
Greece	341.900 - 347.400	190.300 - 193.400
Hong Kong	13.9275 - 13.9410	7.7400 - 7.7420
Iran	2585.00*	1446.00*
Korea(Sth)	1393.40 - 1415.85	777.70 - 786.90
Kuwait	0.52480 - 0.52530	0.29430 - 0.29450
Luxembourg	60.40 - 60.50	33.60 - 33.70
Malaysia	4.5315 - 4.5435	2.5190 - 2.5210
Mexico	5434.50 - 5446.50	3093.00 - 3094.00
N.Zealand	3.3500 - 3.3535	1.8610 - 1.8630
Saudi Ar.	6.6630 - 6.7700	3.7495 - 3.7505
Singapore	2.9645 - 2.9720	1.6495 - 1.6515
S.Af (Cm)	5.1375 - 5.1495	2.8585 - 2.8600
S.Af (Fn)	6.1020 - 6.2075	3.3900 - 3.4485
Taiwan	45.00 - 45.20	25.00 - 25.10
U.A.E.	6.5535 - 6.6305	3.6715 - 3.6735

*Floating rate. Iran Official rate £118.25 $66.65

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.565	-3.79	5.23	65
Portuguese Escudo	178.735	171.986	-3.78	5.21	62
Belgian Franc	42.4032	42.2757	-0.30	1.54	18
Dutch Guilder	2.31643	2.31224	-0.18	1.42	13
D-Mark	2.05586	2.05439	-0.07	1.31	10
French Franc	6.89509	6.92469	0.28	0.95	-11
Irish Punt	0.767417	0.769965	0.33	0.90	-11
Sterling	0.696904	0.700054	0.45	0.78	-10
Italian Lira	1538.24	1545.29	0.46	0.77	-19
Danish Krone	7.84195	7.93892	1.24	0.00	-53

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7950 - 1.7995	1.7960 - 1.7970	0.96-0.94cpm	6.35	2.73-2.70pm	6.05
Canada	2.1500 - 2.1575	2.1520 - 2.1530	0.70-0.62cpm	3.68	1.96-1.85pm	3.54
Netherlands	3.2975 - 3.3125	3.3025 - 3.3125	¼-parcpm	0.45	½-¼pm	0.45
Belgium	60.25 - 60.50	60.40 - 60.50	5-parcpm	0.50	12-6pm	0.60
Denmark	11.3300 - 11.3625	11.3500 - 11.3600	⅝-¼oredis	-0.33	½-1dis	-0.26
Ireland	1.0990 - 1.1015	1.1000 - 1.1010	0.02dis-0.01cpm	-0.05	0.06-parpm	0.11
Germany	2.9300 - 2.9450	2.9375 - 2.9425	⅛-parpfpm	0.26	¼-parpm	0.17
Portugal	243.90 - 246.15	245.00 - 246.00	102-130cdis	-5.67	196-245dis	-3.59
Spain	183.45 - 184.00	183.45 - 183.75	31-45cdis	-2.48	90-121dis	-2.30
Italy	2203.50 - 2213.00	2210.50 - 2211.50	3-5liredis	-2.17	10-12dis	-1.99
Norway	11.4400 - 11.4800	11.4650 - 11.4750	⅛-⅞oredis	-0.52	par-1⅛dis	-0.22
France	9.8650 - 9.9050	9.8925 - 9.9025	par-⅛cpm	0.08	⅛-⅜pm	0.10
Sweden	10.5650 - 10.6050	10.5950 - 10.6050	1⅛-1⅞oredis	-1.63	3⅝-4⅞dis	-1.60
Japan	237.50 - 239.00	238.00 - 239.00	1⅛-1ypm	5.35	3⅝-3⅛pm	5.45
Austria	20.61 - 20.70	20.67 - 20.70	1½-⅛gropm	0.54	3⅞-⅝pm	0.41
Switzerland	2.7000 - 2.7300	2.7100 - 2.7200	⅜-¼cpm	1.38	1-⅞pm	1.29
Ecu	1.4270 - 1.4335	1.4290 - 1.4300	par-0.05cdis	-0.21	0.03-0.12dis	-0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.25-5.20pm. 12 Month 9.10-9.00pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7950 - 1.7995	1.7960 - 1.7970	0.96-0.94cpm	6.35	2.73-2.70pm	6.05
Ireland†	1.6300 - 1.6375	1.6305 - 1.6315	0.89-0.86cpm	6.44	2.57-2.50pm	6.22
Canada	1.1955 - 1.2000	1.1980 - 1.1990	0.27-0.29cdis	-2.80	0.78-0.82dis	-2.67
Netherlands	1.8330 - 1.8435	1.8405 - 1.8415	0.88-0.91cdis	-5.83	2.64-2.69dis	-5.79
Belgium	33.50 - 33.70	33.60 - 33.70	15.00-17.00cdis	-5.71	47.00-50.00dis	-5.77
Denmark	6.2950 - 6.3225	6.3175 - 6.3225	3.30-3.60oredis	-6.55	9.70-10.30dis	-6.33
Germany	1.6280 - 1.6380	1.6355 - 1.6365	0.83-0.84pfdis	-6.12	2.45-2.47dis	-6.01
Portugal	136.50 - 136.80	136.65 - 136.75	250-260cdis	-22.38	345-360dis	-10.31
Spain	101.90 - 102.60	102.25 - 102.35	74-76cdis	-8.80	216-221dis	-8.54
Italy	1224.00 - 1231.50	1230.50 - 1231.00	0.85-0.95liredis	-0.88	2.48-2.58dis	-0.82
Norway	6.3600 - 6.3900	6.3825 - 6.3875	3.40-3.70oredis	-6.67	10.00-10.50dis	-6.42
France	5.4825 - 5.5150	5.5075 - 5.5125	2.89-2.94cdis	-6.35	8.47-8.57dis	-6.19
Sweden	5.8700 - 5.9025	5.8975 - 5.9025	3.75-4.00oredis	-7.88	11.15-11.60dis	-7.71
Japan	131.95 - 132.75	132.65 - 132.75	0.10-0.11ydis	-0.95	0.26-0.28dis	-0.81
Austria	11.4650 - 11.5300	11.5250 - 11.5300	5.55-5.90grodis	-5.96	16.10-17.10dis	-5.76
Switzerland	1.4985 - 1.5125	1.5105 - 1.5115	0.64-0.65cdis	-5.12	1.83-1.85dis	-4.87
Ecu	1.2535 - 1.2600	1.2540 - 1.2550	0.69-0.67cpm	6.50	1.99-1.94pm	6.27

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

May 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¾ - 9⅝	10 - 9⅞	10⅛ - 10	10⅛ - 10	10⅜ - 10¼	10¼ - 9⅞
US Dollar	3¾ - 3⅝	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3⅞	4⅛ - 4	4⅝ - 4½
Can. Dollar	6½ - 6⅜	6½ - 6⅜	6⅝ - 6½	6⅝ - 6⅝	6⅞ - 6⅝	7⅛ - 7
Dutch Guilder	9⅜ - 9¼	9½ - 9⅜	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Swiss Franc	9¾ - 9½	9¾ - 9½	8⅞ - 8⅝	8⅞ - 8¾	8¾ - 8⅝	8⅝ - 8½
D-Mark	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
French Franc	9⅞ - 9⅝	9⅞ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Italian Lira	12 - 10	12⅛ - 11⅛	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 12
Belgian Franc	9⅞ - 9⅝	9⅞ - 9⅝	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9⅝ - 9½
Yen	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½
Danish Krone	10 - 9½	10⅛ - 9⅞	10⅛ - 10	10⅛ - 10	10⅛ - 10	10⅛ - 10
Asian $Sing.	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3⅛	3⅜ - 3⅛	3½ - 3⅜	3⅞ - 3⅝
Spanish Peseta	12⅜ - 12¼	12⅜ - 12¼	12⅜ - 12¼	12⅜ - 12¼	12⅜ - 12¼	12⅜ - 12¼

Long term Eurodollars: two years 5⅞-5¾ per cent; three years 6⅜-6⅛ per cent; four years 6¾-6⅝ per cent; five years 7⅛-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

May 7	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.796	2.940	238.5	9.897	2.715	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.557	1	1.637	132.8	5.511	1.512	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.340	0.611	1	81.12	3.366	0.923	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.193	7.530	12.33	1000.	41.50	11.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.010	1.815	2.971	241.0	10.	2.743	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.368	0.662	1.083	87.85	3.645	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.302	0.543	0.889	72.12	2.993	0.821	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.452	0.812	1.330	107.9	4.476	1.228	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C$	0.465	0.835	1.366	110.8	4.599	1.262	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.654	2.971	4.864	394.5	16.37	4.491	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.545	0.978	1.601	129.9	5.391	1.479	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.700	1.257	2.057	166.9	6.926	1.900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100.

MONEY MARKETS

Interest rates softer

INTEREST rates in the sterling money markets softened yesterday as the pound's performance improved on the foreign exchanges.

Sterling's rise to DM2.9400 in the same week that the Bank of England had signalled a base rate cut of half a per cent renewed traders' confidence in the possibility that rates may be shaved again in the not-too-distant future.

At the same time, the German Bundesbank's decision not to raise its Lombard rate for emergency funding at its Central Council meeting yesterday removed lingering fears that Tuesday's cut in sterling base rate would be short-lived.

UK clearing bank base lending rate 10 per cent from May 5, 1992

The trade in sterling futures registered greater confidence over the outlook for rates. The June short sterling contract ended at 89.96, just below its high for the day, after a previous close of 89.93. That new price implies that the market believes that interest rates in June will be around 10.04 per cent.

In the interbank market, interest rates also edged slightly lower. The rate for 3-month money, seen as an important indicator of future movements, was at 10⅛-1/16, down from 10 3/16 on Wednesday.

In the discount market, trading was, in the words of one analyst, "typically Thursdayish" as traders held back paper in the hope of getting better rates on Friday, before the weekend. Discount bankers refrained from selling bills in the morning, even though the Bank of England forecast a large shortage of around £1.4bn.

The Bank purchased £12m of Band-1 bank bills at 9⅞ per cent, £8m of Band-3 bills at 9 13/16-25/32 per cent, and £13m of Band-4 bills at 9¾-23/32 per cent. Later, it purchased bills totalling £1.8bn, made up of £3m of Band-3 treasury bills at 9 25/32 per cent, £136m of Band-3 bank bills at 9 25/32 per cent, £3m of Band-4 Treasury bills at 9 23/32 per cent, and £38m of Band-4 bank bills at 9 23/32 per cent.

In the afternoon, the Bank purchased £119m of Band-1 Treasury bills at 9⅞ per cent, £434m of Band-1 bank bills at 9⅞ per cent, £337m of Band-2 bank bills at 9⅞ per cent, £37m of Band-3 bank bills at 9 25/32 per cent, and £25m of band-4 bank bills at 9 23/32 per cent. The Bank provided late assistance of around £285m.

As a result of slack trading in the morning, the overnight rate touched 10¾-½ per cent at one stage, and ended at 9¾-⅝ per cent.

FINANCIAL FUTURES AND OPTIONS

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10.5
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs.	10.5	Royal Bk of Scotland	10
Bank of India	10	Girobank	10	● Smith & Williamson Secs.	10
Bank of Scotland	10	● Guinness Mahon	10	Standard Chartered	10
Banque Belge Ltd	10.5	● Hambros Bank	10	TSB	10
Barclays Bank	10	Hampshire Trust Plc	13.5	Unibank plc	10
Benchmark Bank	11	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
Brit Bk of Mid East	10	● Hill Samuel	10	Unity Trust Bank Plc	10
● Brown Shipley	10	C. Hoare & Co.	10	Western Trust	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Westpac Bank Corp.	10.5
Citibank NA	10	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Yorkshire Bank	10
Clydesdale Bank	10	Lloyds Bank	10		
Co-operative Bank	10.5	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

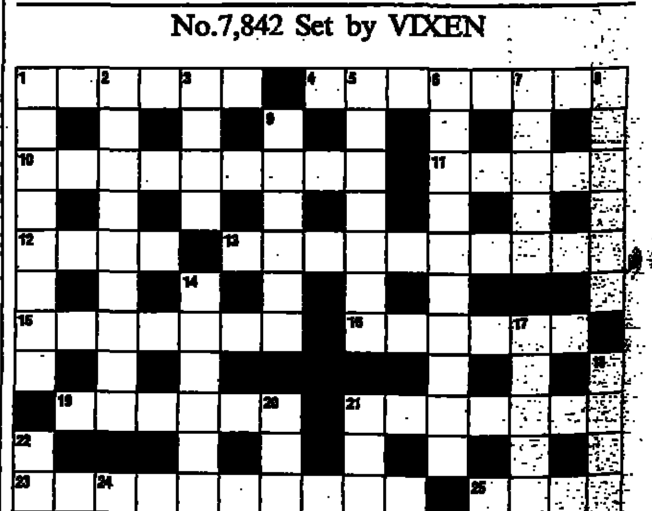
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,842 Set by VIXEN



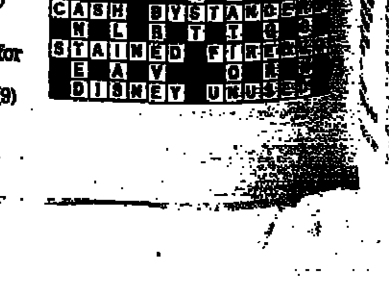
ACROSS

1 Some soldiers dress in an old-fashioned way for leave (6)
4 An important trial involving cassette-switching (4-4)
10 The pile to be made if one is combative? (9)
11 Lively Anglo-French articles about an American fighter (5)
12 Some cereals only are allowed in addition (4)
13 A slump causes real unhappiness (10)
15 Drink after church or render a hymn (7)
16 Odd content of high-minded man's plays lacking expertise (6)
19 Note a girl can be thoughtless (6)
21 Show animal kept outside with no protection (7)
23 Act the liar in dramatic fashion (10)
25 Facts presented – figure a word of thanks is called for (4)
27 This woman finds losing money normal (5)
28 Giving directions for quiet living (9)
29 To peter out before a musical performance' (8)
30 To say it yet again would make the salesman scoff (6)

DOWN

1 Here cars get broken up for scientific examination (8)
2 This bird goes on the pitch (9)
3 A renegade holding coppers entranced (4)
5 Sends out if left in without point (7)
6 Copy people accepting the short answer – credit (10)
7 The defence offered "in another place" (5)
8 It's all off (6)
9 Withdraw in accordance with new decree (6)
14 A decidedly trying individual (10)
17 Fish stuffing used at sea – a made-up food (9)
18 Conventional view taken about mounting pictures (8)
20 Cut the favourite bit (7)
21 Rotten cad – and he's run after (6)
22 Drink, but provoke none (6)
24 About a quarter turned up and that's most strange (5)
26 Capital punishment! (4)

Solution to Puzzle No.7,841



WORLD STOCK MARKETS

AUSTRIA

May 7	Sch	+ or −
Austrian Airlines	2,380	+25
Creditanstalt Pf	519xd	+9
EA General	3,545	+50
EVN	845	+6
Jungbunzlauer	14,400	----
OeMV	867	+5
Perlmooser Zement	1,640	−4
Radex Heraklith	585	+8
Reininghaus Brue	1,639	+6
Steyr Daimler	212	----
Veitscher Magnesit	360	+10
Verbund (Br) A	522	+1
Wienerberger	4,745	+65
Z-Laenderbank	1,040	----

BELGIUM/LUXEMBOURG

May 7	Frs.	+ or −
ACEC-Union Min	2,395	+80
AG Group	2,005	+40
Arbed	3,280	+50
BBL	3,440	+10
Bank Intl a Lux	11,650xd	+50
Banq Gen Lux Pts	12,500	----
Barco	1,266	+10
Bekaert	12,575	+125
CBR Ciment	8,260	−30
CMB	2,220	+45
Cobepa	5,000xd	−150
Cobepa AFV 1	4,980	----
Cockerill Priv	167	+6
Colruyt	4,755	−15
Delhaize Frs Lion	9,140	+10
Electrabel	4,945	+85
Electrabel AFV	4,880	+70
Electrafina ACT	2,680	+80
GBL	3,270	+65
GBL AFV 1	3,230	+110
GIB Group	1,418	+12
GIB Group AFV	1,340	+16
Gechem	350	+22
Gechem AFV	341	----
Generale Banque	6,130xd	−250
Gen Banque AFV1	6,050xd	−400
Gevaert	6,950xd	−100
Kredietbank	4,940	+35
Kredietbk AFV	4,910	+30
Pan Holding Lux	13,450	+50
Petrofina	11,375	+400
Powerfin	2,535	+20
Powerfin AFV	2,515	+25
Royale Belge	4,600	+135
Royale Belge AFV 1	4,260	+60
Soc Gen Belge	2,040	+45
Soc Gen Belge AFV	2,000	+25
Sofina	11,925	----
Solvay	12,800	+50
Tessenderlo	6,120	+20
Tessenderlo AFV	5,700	----
Tractebel	7,820	+130
Tractebel AFV 1	7,500	−20
UCB	22,125	+325
UCB AFV	20,850	+225

DENMARK

May 7	Kr	+ or −
Baltica Holding Reg	655	+15
Bikuben	276	−1
Carlsberg A	300	−5
D/S 1912 A	96,500	----
Danisco	803	−10.04
Den Danske Bank	288	+2
East Asiatic	139	----
FLS Ind B	710	+10
Great Nordic	365	----
Hafnia Hldgs A	300	−10
Hafnia Hldgs B	241	−6
[illegible]	[illegible]	[illegible]

FRANCE (continued)

May 7	Frs.	+ or −
Beghin-Say Cert Inv	480	−5
Bongrain	3,180	+53
Bouygues	662	+3
CGIP	1,256	+6
C M B Packaging	195	+1.10
Canal+	1,202	+3
Cap Gemini S	323	−1.80
Carrefour	2,578xd	−9
Casino	182.30	+2.30
Cetelem	800	+20
Chargeurs	1,204	−4
Club Mediterranee	542	−5
Cogifi	344.90	−0.10
Coparex	605	----
C C F	200.50	+4
Cr Fonc France	967	+20
Cred Lyon (CI)	649	+5
Credit National	1,077	−5
Damart	3,096	+171
Docks de France	445.50	+5.50
Dollfus Mieg Cie	346	+10.5
EBF	878	−1
Eaux Cie Genl	2,420	+38
Ecco	470	+7.50
Elf-Aquitaine	397.80	+2.30
Elf-Aquitaine Certs	280.10	−1.90
Essilor Int	479.80	−4.20
Elex	2,070	−35
Eurafrance	1,590	−1
Eurocom	697	+17
Euro Disney	132.20	−0.80
Exor	1,400	----
Finextel	122.50	−0.50
Fonc Lyonnaise	681	+1
From C et Aux	3,195	+96
GTM-Entrepose	431	----
Gal. Lafayette	1,965	+5
Gaumont (Soc N)	588	+43
Geophysique	650	+14
Hachette	148.40	−2.30
Havas	591	+3
Imetal	365	----
Imm de France	861	−19
Immobanque	738	+44
Immob Phenix	135.20	−3.30
Industrielle	6,500	----
Interbail	480	+9.90
Intertechnique	840	+25
LVMH	4,330	−30
Lafarge Coppee	386.80	+6.80
L'Oreal	859	+6
Legrand	5,030	−10
Legris	466	+7
Lyon Eaux Dumez	559	+13
Matra	180.80	+1.90
Merlin-Gerin	549	+4
Michelin B	214.90	+2.90
Moulinex	168.50	−3.50
Navigation Mixte	1,138	−2
Nord Est	110	−1
Ortan	253	−6
Paribas	446.90	+11.9
Paris Reescompte	282.80	+2.80
Pernod Ricard	1,598	+3
Peugeot	788	+5
Pinault	358.50	+6.50
Poliet	630	----
Printemps (Au)	801	+5
Promodes	3,710	+40
Radiotechn	589	+2
Redoute	5,660	−10
Rhone Poulenc Cts	658	+12
Roussel-Uclaf	2,135	----
SILIC	612	+9
Sagem	1,985	+10
Saint Gobain	605	+7
Saint Louis	1,259	----
Sanofi	1,163	+13
Schneider	707	+8
[illegible]	[illegible]	[illegible]

GERMANY (continued) · NETHERLANDS · SWEDEN (continued) · SWITZERLAND · NORWAY · SPAIN · ITALY · SOUTH AFRICA · JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE — [illegible]

CANADA

TORONTO

3:00 pm prices May 7

[illegible]

MONTREAL

3:00 pm prices May 7

[illegible]

INDICES

NEW YORK

DOW JONES	May 6	May 5	May 4	May 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3369.41	3359.35	3378.13	3336.09	3378.13 (4/5)	3172.41 (2/1)	3378.13 (4/5/92)	41.22 (2/7/32)
Home Bonds	99.20	99.37	99.36	99.25	99.81 (6/2)	98.41 (20/3)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1407.70	1394.25	1380.79	1359.49	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.32	213.82	212.19	210.75	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3398.70 (3393.78) Low 3346.60 (3346.15)

STANDARD AND POOR'S

	May 6	May 5	May 4	May 1	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite †	416.79	416.84	416.91	412.53	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	493.50	493.78	494.19	489.11	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.17	34.98	34.82	34.34	35.17 (6/5)	32.40 (8/4)	36.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	229.56	229.50	229.42	227.20	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	393.77	393.17	391.61	389.78	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	589.36	588.07	583.54	578.14	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 1	Apr 24	Apr 10	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.80	2.85	3.44

	Apr 29	Apr 22	Apr 15	year ago (approx.)
S & P Industrial div. yield	2.62	2.63	2.57	2.74
S & P Indl. P/E ratio	28.96	28.80	29.46	18.70

NEW YORK ACTIVE STOCKS — [illegible]

TRADING ACTIVITY — [illegible]

CANADA TORONTO — [illegible]

World indices (AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, IRELAND, ITALY, JAPAN, MALAYSIA, NETHERLANDS, NORWAY …) — [illegible]

TOKYO - Most Active Stocks

Thursday 7 May 1992

[illegible]

3:00 pm prices May 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¼	AAR Corp x	0.48	3.5	16	230	13¾	13⅝	13⅝	-⅛
26	20⅝	A L Labs A	0.18	0.8	76	18	23⅛	22⅞	23	
68¾	58	AMP Inc x	1.52	2.4	25	1095	62⅝	62¼	62⅝	+⅛
80¼	64¾	AMR				1803800	69⅞	68¼	68½	-⅞
2⅝	1⅜	ARX			2	20	1⅞	1⅞	1⅞	
53½	40¾	ASA	2.00	4.7	12	250	43¼	42⅝	42¾	-⅛
68⅞	58⅛	Abbott Lab	1.20	1.8	24	2906	66⅞	65¾	66⅛	+⅛
13⅞	12	Abitibi Pr	0.43	3.5	8	20	12⅛	12⅛	12⅛	
11⅝	10⅛	ACM Gvt In x	0.98	9.0		367	10⅞	10⅞	10⅞	
10⅞	9⅛	ACM GvOpp x	0.80	8.4		61	9½	9⅜	9½	+⅛
9⅞	8⅞	ACM Gvt Sc x	0.80	9.0		377	8⅞	8⅞	8⅞	+⅛
11¼	10⅛	ACM Gvt Sa	0.96	9.1		435	10½	10⅞	10½	+⅛
9⅞	8⅞	ACM Man x	0.96	10.3		160	u9⅞	9¼	9¼	
12⅞	10⅝	ACM Mangd x	1.08	9.7		710	11⅛	11	11⅛	+⅛
11¼	7	Acme Cleve x	0.40	5.4	32	155	7⅜	7⅜	7⅜	-⅛
6¼	4½	Acme Elect			4	2	5½	5½	5½	
33¼	18⅞	Acuson			14	378	22½	21⅞	22	-⅛
19½	18⅞	Adams Expr	0.48	2.6	0	20	18⅞	18¼	18¾	
15½	13	Adobe12Pl	2.40	16.1		20	14⅞	14⅞	14⅞	+⅛
5⅞	4½	Adobe Res			2	19	5	5	5	
49⅛	39	Ad Micro	3.00	6.8		472	44	43⅞	44	-⅛
21½	14⅞	Ad Micro P	3.00	16.7	73	122	18	17⅝	18	+⅛
9⅛	5	Advest Grp	0.16	2.3	69	61	7⅛	7	7	
71¼	67⅛	Aegon ADR x	1.50	2.2	8	13	67½	d67	67¼	-1¼
47	39	Aetna Lf	2.76	6.6	9	1243	41⅞	41⅛	41¼	+½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B -

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
82¼	66½	Xerox	3.00	4.1	18	1739	74⅛	72⅛	72½	-1¼
53½	50½	Xerox4 125				z100	52½	52½	52	-½
28½	24⅞	Xtra 1.94	1.94	7.1		4	27	27	27¼	
37	28½	Xtra Corp	0.80	2.4	14	38	33¾	33½	33½	-¼
27	25¼	Yankee Egy	1.60	6.0	12	15	26½	26¼	26½	-⅛
1½	½	Zapata				28 256	1¼	1⅛	1⅛	-⅛
11⅛	6¾	ZenithElec			3	372	7⅝	7⅜	7⅜	-¼
17¼	14½	Zenith Nat x	1.00	5.8	7	113	u17¼	16½	17¼	+⅝
6⅞	6	Zenix Inc	0.86	12.3		98	u6⅞	6¾	6⅞	+⅛
13¾	11⅛	Zero Corp	0.40	3.5	17	88	11¾	11½	11½	-¼
36	32⅛	Zurn Ind	0.88	2.7	14	61	33½	33	33	-⅛
14½	12⅜	Zweig Fund	1.18	9.1		237	13	d12⅜	12⅞	-¼
11	9⅞	Zweig Totl	1.00	9.8		308	10½	10⅛	10½	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices May 7

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Frequency		7	z100	4⅛	4⅛	4	
Fr ofLoom		19	954	36	35⅛	35⅛	-⅝
FstAust	1.08		133	u9⅞	9½	9⅞	+⅛
Gant Fd x	0.88	14	1876	20⅞	20⅛	20⅛	
Glatfltr	1.40	17	25	55⅛	54¾	54⅛	+⅛
Goldfield		2	76				
Greenmn		7	75	5½	5⅛	5½	+⅛
Gulf Cda	0.34	13	278	6⅞	6¾	6¾	-⅛
Hasbro x	0.20	27	752	25⅞	25⅛	25⅞	+⅛
Nabors		12	939	6⅛	5⅞	6	
Nat Ptnt		3	181	4¼	4⅛	4¼	
New Line		21	176	14½	14¼	14¼	-¼
NY TimesA	0.56	33	1381	30¾	29⅞	30	-1
NtrCanOil	0.18	43	30	9½	9⅛	9½	+¼
Numac O&G		2	10	4⅛	4⅛	4⅛	
NV Ryan		0	40				
Odetics A		40	40	5⅛	5⅛	5⅛	+⅛
Olsten x	0.24	31	31	31⅛	30¾	31	+½
Vivigen		36	10	15¾			
WangLab C		1	2	6			
WangLab B		1	685	4			
Westbrld		14	3187	5			
Westamer	0.52	9	143	u21½			
WIRET	1.20	14	66	13¾			
Worthen		6	45	21⅛			
Xytronix		17	81	13½			

NASDAQ NATIONAL MARKET

3:00 pm prices May 7

- V -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ValleyNat		27	510	47⅞	47½	47¼	-⅛
Valmont	0.26	18	11	13¼	12¾	13¼	
Vicas Mch		34	3201	35¼	34⅛	35¼	
Vngrd Cell		17	788	25½	24⅛	25½	+½
Vencor		67	1785	38½	36¼	37¼	
VeriFone		25	598	22	20½	21¼	-¼
Vicor		29	1341	18½	16½	17	-1
VicorpRst		15	118	25	24½	25	+¼
Vitalink		16	33	10⅛	10⅛	10⅛	
VLSI Tech		28	5000	8	7	7⅞	+⅛
Volvo B x	2.19	47	58	74¼	74¼	74¼	+1⅛

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Warner En	0.16	19	60	33½	33	33⅛	-⅛
Warrntech		84	540	3⅛	3⅛	3⅛	+⅛
WashMuSB x	0.48	8	518	22	21¾	22	+¼
WshEnergy	1.40	19	190	21¼	21¼	21¼	+¼
WashFedSL	1.20	10	354	25	24¾	24¾	-¼
WatsindA	0.28	20	52	51½	50¼	51½	+⅝
Wausau PM	0.34	16	360	44	40½	40¾	-3¼
WD-40	1.60	18	23	44¼	44	44¾	+½
Wawek		5	1190	5⅛	4¾	5	+⅛
West One	1.04	14	392	41½	41	41½	+½
WstnPubl		27	474	17	16⅞	17	+⅛
Westmark		78	1222	68½	65½	58	
WestnCoal	0.32	10	16	17½	16¾	16¾	-¼
Wst SealA		35	47	13¼	12	12¼	+¼
Wetterau	0.68	10	172	23¾	23¼	23¼	-⅛
Wicat Sys		87	779	4⅛	4⅛	4⅛	+⅛
Willmette	1.68	28	936	74¼	71½	72¾	-1½
WmSonoma		92	1498	13½	d12¼	13	-⅛
Wiser Oil	0.40	54	52	15½	15¼	15¼	
Wolohan L	0.28	14	119	20½	19⅛	20	+⅛
Wolv Expl		0	6				
WrldcrNSDA			17				
Wthington	0.48	27	130	24½	24¼	24¼	-⅛
WPP Group	1.11		111500	1⅞	d1⅞	1⅝	
Wyman-Gdn	0.40	3	294	4⅝	4⅛	4⅛	-⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		30	486	27¼	26¼	26⅞	-¼
Xoma Corp		9	3384	17¼	16	16½	-¼
Yellow Fr	0.94	25	88	31⅛	30¾	31⅛	+¼
York Rsch		46	1944	5¾	5⅝	5⅝	+½
ZionsUtah	1.44	10	14	52½	51	51	-1½

FINANCIAL TIMES Friday May 8 1992

AMERICA

Dow declines ahead of employment data

Wall Street

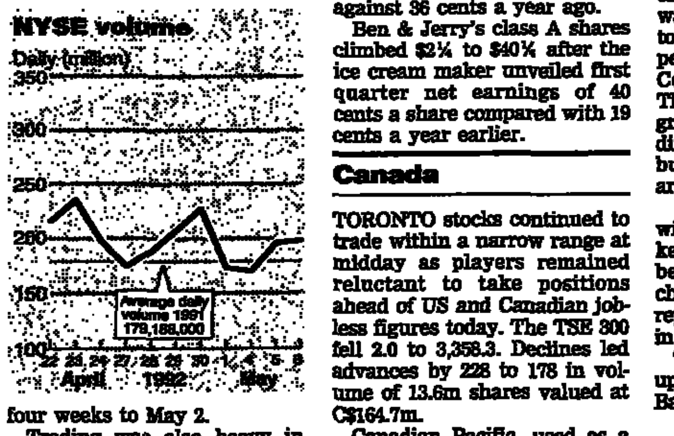
A LETHARGIC morning on Wall Street saw US equities edge lower in quiet trading ahead of today's release of employment figures for April, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was 11.40 lower at 3,358.01 in slim volume of less than 101m shares. Declining issues led those advancing by a ratio of 8 to 7. Other market indices were also lower, with the Standard & Poor's 500 sliding 1.27 to 415.52 and the Nasdaq composite off 2.04 at 587.32.

The market shrugged off the release of jobless claims for the week ended April 25, which rose 11,000 to 415,000, and turned its attention to today's release of employment data for April. The Federal Reserve's monetary policy decisions are often based on employment numbers, and there has been widespread speculation that the Fed may ease if the numbers are weaker than expected.

After two days of solid advances, the transportation sector lost ground, with the Dow Jones Transportation Average off 11.96 to 1,395.74 at 12.30 pm. AMR, parent of American Airlines, lost $⅛ to $68⅜, UAL, parent of United Airlines, eased $¼ to $126¼ and USAir edged $⅛ lower to $14⅞.

The release of same-store sales for April by a number of big US retailers spurred active trading in the sector. Sears was one of the most heavily traded board issues, dropping $1⅜ to $42 on the back of a 2.1 per cent decline in comparable domestic store sales for the four weeks to May 2.



Trading was also heavy in Gap Inc, which climbed $1⅞ to $42⅞ after reporting a 13 per cent improvement in comparable store sales for April.

Blue chips continued to dominate the big board, with American Telephone & Telegraph off $⅛ to $44, Boeing up $⅜ to $44½ and IBM $¼ higher at $93⅞.

Federal Express fell $2 to $40¼. The company is slashing prices for large-volume customers in a move aimed at improving its competitiveness.

In over-the-counter trading, FHP International added $⅞ to $15¼ after the health maintenance organisation services company posted third quarter earnings of 45 cents a share against 36 cents a year ago.

Ben & Jerry's class A shares climbed $2¼ to $40¼ after the ice cream maker unveiled first quarter net earnings of 40 cents a share compared with 19 cents a year earlier.

Canada

TORONTO stocks continued to trade within a narrow range at midday as players remained reluctant to take positions ahead of US and Canadian jobless figures today. The TSE 300 fell 2.0 to 3,358.3. Declines led advances by 228 to 178 in volume of 13.6m shares valued at C$164.7m.

Canadian Pacific, used as a benchmark for Canadian stocks by some foreign investors, rose C$⅛ to C$18¼ in spite of a drop in the group's first quarter earnings.

Magna class A jumped C$2 to 32⅝, off from a session and year's high of C$33 and Placer Dome eased C$⅛ to C$12½.

The right formula for a chemical reaction

Paul Abrahams on how cyclical and geographical factors make the sector hard to predict

Chemicals companies have proved to be the ultimate cyclical stocks. Burdened with large capital-intensive plants, they have had a tendency to do exceptionally well when times are good and particularly poorly when times are bad.

With such stocks timing is crucial: the trick is to switch out of defensive companies *into the cyclical* ones as demand picks up.

However, not all European chemical issues are straightforward recovery plays, according to Ms Wendy Anderson, European chemicals analyst at County NatWest in London. The timing of recovery for the groups will depend upon their differing exposures to cyclical businesses and geographical areas.

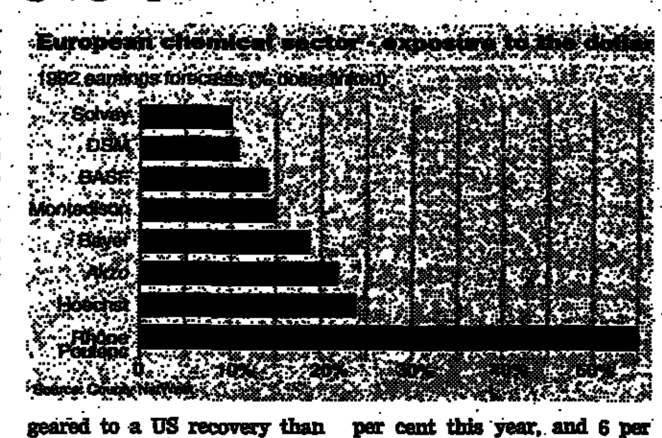
One of the key determinants will be exposure to the US market, which is likely to recover before Europe. All European chemical companies have been reporting an upturn in demand in the US.

The question is whether that upturn is sustainable. Hoechst, Bayer and Henkel in Germany, as well as Ciba-Geigy in Switzerland, have reported increasing demand in different product areas – a development that lends weight to the possibility of a sustained recovery, according to Ms Jackie Ashurst, European chemicals analyst at James Capel.

One British industrialist believes chemical companies are under-reporting the recovery in the US for fear of being caught out as they were last year, when a brief upturn fizzled out.

Those with the greatest exposure to a US-led recovery are Hoechst and Bayer in Germany, and Akzo in the Netherlands. Du Pont, of the US, has recently reported much improved results at its fibres operations, and Hoechst, which has a fibres business in the US, may well benefit too.

The high level of dollar earnings at Rhône-Poulenc, the French group, is mostly because of its recent acquisition of a controlling stake in Rorer, the US pharmaceuticals group. Since people are ill no matter what their financial status, the company is less highly geared to a US recovery than might at first be apparent.



In terms of exposure to particular markets, analysts believe it is important to avoid stocks heavily involved in the plastics and petrochemicals industries.

The main difficulty in petrochemicals is overcapacity. Supply already outstrips demand, and the position is likely to deteriorate. Demand is expected to rise by only 4.5 per cent over the next two years, while supply is due to increase by 9 per cent this year, and 6 per cent in 1993.

Ms Anderson at County NatWest reckons there are likely to be few plant closures because the least efficient European plants are state-owned, and governments are unwilling to take on the political implications of significant job losses.

"Any recovery in petrochemicals is likely to be slow and painful. It is possible that the sort of margins seen in the late 1980s will only return at the end of this decade," she warns. Those companies most heavily implicated are Solvay, DSM and BASF.

A further consideration in picking recovery chemical stocks is the effectiveness of the widespread cost-cutting measures. Few Continental companies have been able to implement the sort of radical restructuring carried out by Imperial *Chemical Industries*, of the UK. However, both Akzo and DSM have pushed through impressive programmes that have started to show in their results.

In terms of timing, chemical shares are likely to underperform over the next couple of months, according *to Ms* Ashurst. Historically, the chemical industry goes quiet during the summer and most have recently paid their dividends. There remain concerns, too, about the state of the German economy.

Ms Ashurst, however, expects stocks with *US* exposure and without a heavy reliance on petrochemicals to outperform the market during the second half of the year.

ASIA PACIFIC

Nikkei rises 3.1 per cent to recapture 18,000 level

Tokyo

A STRONGER yen and firmer bond prices encouraged buying by foreigners and investment trust funds, and the Nikkei average rose 3.1 per cent, regaining the 18,000 level for the first time since April 6, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed 532.22 higher at the day's best of 18,410.88. The index started the session on a weaker tone, slipping to a low for the day of 17,653.75 on profit-taking and arbitrage-related selling.

Volume expanded to 400m shares from 280m as foreigners and investment trusts sought blue chip issues. Late afternoon index-related buying by dealers also boosted activity.

Advances overwhelmed declines by 928 to 101, with 104 issues unchanged. The Topix index of all first section stocks moved ahead 35.27, or 2.6 per cent, to 1,374.70, but in London the ISE/Nikkei 50 index lost 4.14 to 1,106.61.

Traders said the rise reflected a brighter short-term outlook. However, many market participants remain cautious ahead of the corporate earnings reporting season for the business year to March. Mr Chris Appleton at Baring Securities said: "The worst previews for the year to March 1992 seem to have been factored in by the recent selling, and people will focus on forecasts for the year to March 1993."

Many institutional investors remained inactive in spite of the rally. "We have already bought at lower levels," said a fund manager at Dai-Ichi Life.

Blue chip high-technology issues gained on foreign buying. Sanyo Electric, the most active issue of the day, advanced Y47 to Y498 on bargain hunting. Domestic investors were also encouraged by reports that the company will enter the solar cell market. Foreigners also sought Bridgestone, the tyre maker, which appreciated Y40 to Y1,220.

Speculative issues rose on continued buying by short-term traders. Okamoto Industries, the condom maker, put on Y40 to Y1,280 and Meiji Milk Products Y19 to Y865.

Teac, the electronics maker, which has been recently traded actively on the "US recovery" theme, lost ground. The issue fell Y40 to Y1,050 after Japan Securities Finance, the sole lender of margin stocks to brokers, warned it would restrict loans of Teac shares for margin selling.

Nippon Telegraph & Telephone rose Y13,000 to Y646,000 on reports that financial authorities were studying measures to support the issue.

The Tokyo Stock Exchange suspended Lec, the kitchen and bathroom-ware maker, amid reports that it had filed for court protection under the bankruptcy law.

In Osaka, the OSE average gained 479.13 to 20,754.82 in volume of 25.5m shares. The index rose on late dealer buying and index-related activity.

Roundup

THE worsening political crisis left Bangkok closing at its lowest level this year, while the overall picture in Pacific Rim markets was mixed.

BANGKOK fell further after the prime minister attacked the opposition for mounting protests against his government. The SET index dropped 6.90 to 710.72 in turnover of Bt5.05bn.

HONG KONG gained ground on bargain hunting. The Hang Seng index rose 48.38 to 5,629.58 in turnover of HK$3.7bn.

HSBC Holdings advanced HK$1.50 to HK$45, but Henderson Land declined 20 cents to HK$18.40.

SEOUL weakened on fears of debt repayment problems affecting smaller companies. The composite index fell 8.61 to 603.34 in Won356.2bn turnover.

Daewoo Heavy, Korea Air and Samsung Aerospace were all stronger after their consortium won the bid to launch South Korea's first satellites.

TAIWAN lost ground as *turnover fell to its lowest* level since last October. The weighted index shed 0.96 to 4,481.29 in turnover of T$10.8bn, down from T$17.6bn.

AUSTRALIA drifted lower in dull trade. The All Ordinaries index dipped 3.0 to 1,665.9 in turnover of A$365.6m.

Foster's Brewing retreated 7 cents to A$1.77 with 4.2m shares traded. The Australian Stock Exchange has asked the company to explain the recent fall in its share price.

NEW ZEALAND's NZSE-40 index ended 2.59 ahead at 1,470.12. Fletcher Challenge eased 2 cents to NZ$3.50 while Telecom gained 3 cents to NZ$1.98.

MANILA's composite index advanced 21.71 to 1,231.45 in combined turnover of 289m pesos, up from 240m pesos.

KUALA LUMPUR was easier in the absence of institutional investors. The composite index lost 0.90 to 603.56. Declines led rises by 162 to 63.

EUROPE

Paris makes late spurt as interest rates fall

THE prospect of easier money lifted Paris ahead of the long weekend, *writes Our Markets Staff.*

PARIS made a late spurt on the Bank of France's disguised interest rate cut. The CAC 40 index closed just below the day's highs at 2,063.40, up 16.25, in turnover just short of FFr3bn. The markets is closed today for a national holiday.

Financials, which had anticipated lower interest rates, strengthened further. Paribas gained FFr11.90 to FFr446.90 and Suez added FFr3 to FFr346, while Bancaire surged FFr32 or 6.6 per cent to FFr517.

Michelin gained FFr2.9 to FFr214.9 in heavy trading of 1.2m shares, bloated by a big put-through.

FRANKFURT traded in a narrow range as talks continued between the government and unions to end the strike. The DAX index closed up 7.31 at 1,750.81 after opening at 1,750.40. The FAZ index was 2.1 firmer at 706.80, while turnover rose to DM6.5bn from DM6.3bn.

Daimler-Benz advanced DM4.50 to DM791.50 after positive comments from Mr Edzard Reuter, the chairman, in which he forecast good earnings growth in 1992.

Volkswagen continued to gain on Wednesday's strong results, up DM2.80 at DM388.80, but Porsche slid DM30 or 5.6 per cent to the year's low of DM500 in the absence of news.

Preussag advanced DM9.10 to DM412.10 on reports that it had sold its 3.5 *per cent stake in* Australian mining group MIM. Mannesmann gained DM1 to DM284.50 before reporting a 43 per cent fall in 1991 group net profit after the close.

Better-than-expected first quarter figures lifted Hochtief shares DM25 to DM1,265.

MILAN continued to recover, but prices ended off the session's highs on worries that the Milan corruption scandal could widen to Rome. The Comit index rose 1.66 to 497.41 in turnover estimated at around Wednesday's L114bn.

Cogefar, one of the construction companies which has been tainted by the scandal, closed L165 down at L3,555.

Shares in the insurer RAS were suspended, a move which disconcerted the market, ahead of the announcement of a one-for-four rights issue with warrants. Its parent Allianz said it would take up its quota of the L531bn cash call. The insurer also reported a steep rise in 1991 parent company net profit, which dealers said was due to extraordinary items to sweeten the capital increase.

Fiat rose L91 to L6,150 on program buying from London. The release of favourable April car industry data after the close pushed Fiat higher on London's Seaq.

ZURICH lost ground after its record-breaking run earlier this week. The SMI index shed 0.5 to 1,936.8.

Most blue chip stocks were weaker with Nestlé bearers easing SFr10 to SFr9,990 and Brown Boveri bearers losing SFr50 to SFr4,250.

However, banks and insurers managed to retain some early gains: UBS bearers advanced SFr10 to SFr3,840 and Zurich bearers put on SFr20 to SFr4,440.

STOCKHOLM continued to focus on Volvo as the company made a presentation to fund managers in London. The Affärsvärlden General Index rose 3.6 to 1,007.9 in heavy turnover of SKr787m from SKr768m.

Volvo B unrestricted shares added SKr6 to SKr436 on optimism for a 1992 earnings recovery and an early merger with Renault. The stock has also been recommended by James Capel as a "buy".

Ericsson eased SKr3 to SKr132 ahead of reporting a worse-than-expected first quarter pre-tax loss of SKr363m. The company forecast a "very weak" first half and a "low" full-year profit.

AMSTERDAM was weaker with the CBS Tendency index shedding 0.2 to 129.9 in turnover of Fl 896.4m.

Philips lost another 90 cents at Fl 37.10 on Wednesday's disappointing first quarter figures, while Polygram gained 60 cents to Fl 51 on a US buy note.

There was active options-related trading in Nedlloyd, and its shares advanced Fl 1.40 or 2.3 per cent to Fl 61.50, but off the day's high of Fl 62.90.

KLM gained 70 cents to Fl 39.80 after plans to strengthen its air cargo business, while Daf, which launched two new trucks, lost 30 cents to Fl 24.

FT-SE Eurotrack 100 - May 7

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1184.65	1184.08	1183.93	1183.83	1184.10	1183.56	1182.58	1182.52

Day's High 1184.76 Day's Low 1182.03

May 6	May 5	May 1	Apr 30	Apr 29
1182.62	1178.23	1175.00	1174.98	1174.59

Base value 1000 (26/10/90).

SOUTH AFRICA

JOHANNESBURG rose on last-minute buying, as the financial rand eased. The overall index rose 3 to 3,587 and the industrial index gained 7 to 4,460. The gold index recovered to end only 2 lower at 1,072.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 6 1992								TUESDAY MAY 5 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	151.52	+0.3	125.19	126.81	128.45	133.06	+0.3	4.14	151.11	125.69	127.14	128.89	132.72	153.68	140.94	146.98
Austria (19)	165.45	+1.2	136.69	138.47	140.25	140.28	+0.7	2.09	163.46	135.96	137.53	139.42	139.26	186.70	162.48	197.98
Belgium (46)	139.82	+0.3	115.52	117.01	118.53	115.86	+0.0	5.25	139.40	115.94	117.27	118.89	115.85	145.19	136.87	135.74
Canada (115)	126.60	−0.5	104.60	105.95	107.31	109.74	+0.0	3.35	127.18	105.78	107.00	108.46	109.68	142.12	125.60	137.70
Denmark (35)	238.93	+0.8	197.40	199.97	202.54	204.97	+0.3	1.79	236.92	197.05	199.33	202.06	204.29	273.94	226.81	237.52
Finland (15)	80.43	+1.5	66.45	67.31	68.18	74.95	+1.2	1.99	79.23	65.90	66.66	67.57	74.10	89.80	73.64	112.82
France (105)	164.17	+0.6	135.63	137.39	139.15	141.51	+0.0	3.33	163.25	135.78	137.34	139.22	141.48	164.17	146.06	137.03
Germany (65)	119.74	+1.6	98.93	100.23	101.50	101.50	+0.9	2.28	117.92	98.08	99.22	100.57	100.57	122.84	114.87	109.41
Hong Kong (55)	231.09	−0.9	190.92	193.40	195.90	229.63	−0.9	3.56	233.10	193.88	196.12	198.82	231.71	233.10	176.36	153.64
Ireland (16)	162.29	−1.1	134.08	135.82	137.57	139.94	−1.4	3.78	164.02	136.43	138.00	139.89	141.88	173.71	151.78	157.26
Italy (78)	71.10	+1.6	58.74	59.50	60.26	65.10	+1.1	3.55	69.95	58.18	58.85	59.66	64.36	80.86	68.92	78.14
Japan (473)	99.88	+2.8	82.52	83.59	84.67	83.59	+2.0	1.02	97.39	81.00	81.94	83.07	81.94	140.95	88.70	139.87
Malaysia (68)	244.68	−0.2	202.15	204.77	207.41	237.28	−0.1	2.73	245.28	204.01	206.36	209.19	237.53	250.18	212.49	229.22
Mexico (18)	1638.01	+0.0	1353.30	1370.89	1388.53	5523.19	+0.0	1.06	1638.28	1362.63	1378.36	1397.27	5523.19	1789.77	1376.91	906.53
Netherland (25)	158.07	+0.9	130.59	132.29	133.99	132.38	+0.3	4.22	156.72	130.35	131.85	133.67	131.97	158.07	147.88	140.27
New Zealand (14)	44.72	+0.5	36.95	37.43	37.91	44.07	+0.4	6.25	44.50	37.01	37.44	37.95	43.88	48.52	42.01	53.79
Norway (23)	187.93	+0.6	155.27	157.29	159.31	162.49	+0.0	1.57	186.89	155.44	157.24	159.40	162.47	192.95	161.26	200.06
Singapore (38)	216.41	−0.7	178.80	181.12	183.45	184.60	−0.8	1.98	217.87	181.22	183.31	185.82	185.97	228.43	192.76	201.06
South Africa (61)	245.83	+3.2	203.10	205.73	208.38	180.63	+1.8	2.79	238.19	198.11	200.39	203.14	177.40	263.60	203.16	208.97
Spain (50)	150.70	+0.8	124.50	126.12	127.74	116.79	+0.4	5.19	149.51	124.35	125.79	127.51	116.32	160.47	146.86	156.51
Sweden (25)	191.16	+1.7	157.93	159.99	162.05	166.47	+1.1	2.72	188.02	156.38	158.19	160.36	164.71	191.16	173.09	175.33
Switzerland (59)	104.43	+1.3	86.27	87.40	88.53	97.17	+0.8	2.20	103.08	85.74	86.73	87.93	96.40	104.43	95.99	91.61
United Kingdom (228)	194.43	+1.9	160.63	162.71	164.80	160.63	+1.2	4.62	190.75	158.66	160.47	162.67	158.66	194.43	165.85	173.89
USA (522)	170.00	+0.0	140.45	142.28	144.11	170.00	+0.0	2.94	170.03	141.42	143.06	145.02	170.03	171.66	160.92	153.23
Europe (789)	152.67	+1.4	126.13	127.77	129.42	128.66	+0.8	3.82	150.51	125.19	126.63	128.38	127.69	152.67	139.31	138.97
Nordic (98)	179.73	+1.2	148.49	150.42	152.36	149.94	+0.6	2.16	177.64	147.75	149.46	151.51	149.01	188.52	169.86	175.97
Pacific Basin (717)	106.15	+2.1	87.70	88.84	89.98	89.44	+1.7	1.41	103.94	86.45	87.45	88.65	87.98	141.97	94.40	140.29
Euro–Pacific (1506)	124.96	+1.8	103.24	104.57	105.92	105.84	+1.3	2.58	122.77	102.11	103.28	104.70	104.32	145.21	113.80	140.69
North America (637)	167.28	+0.0	138.20	140.02	141.83	165.90	+0.0	2.96	167.34	139.19	140.81	142.75	165.92	169.69	158.70	152.19
Europe Ex. UK (561)	127.89	+1.1	105.66	107.06	108.44	110.24	+0.5	3.21	126.56	105.27	106.50	107.96	109.66	129.79	121.81	117.88
Pacific Ex. Japan (244)	167.93	−0.3	138.74	140.57	142.37	149.48	−0.3	3.65	168.44	140.10	141.74	143.68	149.95	168.44	149.00	144.14
World Ex. US (1700)	127.36	+1.7	105.21	106.59	107.95	107.89	+1.2	2.59	125.19	104.12	105.33	106.78	106.59	146.91	116.45	141.14
World Ex. UK (1994)	135.71	+0.9	112.12	113.58	115.06	123.64	+0.6	2.48	134.52	111.89	113.19	114.74	122.85	150.58	127.21	141.26
World Ex. So. Af. (2161)	140.07	+1.0	115.73	117.24	118.75	126.80	+0.7	2.73	138.72	115.38	116.72	118.32	125.73	153.05	130.04	143.76
World Ex. Japan (1749)	163.63	+0.5	135.19	136.96	138.73	152.06	+0.3	3.28	162.78	135.39	136.97	138.85	151.63	163.63	153.20	147.80
The World Index (2222)	140.77	+1.0	116.30	117.82	119.34	127.09	+0.7	2.73	139.37	115.92	117.26	118.87	128.19	153.70	130.66	144.15

Latest prices were unavailable for this edition.